Austria	Sch[illegible]	Iran	Rls218	Pakistan	Rs[illegible]
Bahrain	Din[illegible]	Israel	[illegible]	Philippines	Pes[illegible]
Belgium	[illegible]	Italy	L2200	Poland	Zl 15,000
Cyprus	[illegible]	Jordan	[illegible]	Portugal	Esc175
Denmark	[illegible]	Korea	Won 2000	Qatar	QR10.00
Egypt	[illegible]	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	[illegible]	Lebanon	[illegible]	Singapore	S$4.10
France	[illegible]	Lux	LFr60	Spain	Pta175
Germany	[illegible]	Malta	45 cents	Sweden	[illegible]
Greece	[illegible]	Morocco	[illegible]	Switz	SFr2.70
Hungary	[illegible]	Neth	Fl 3.00	Thailand	[illegible]
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India	[illegible]	Norway	NKr13.00	Turkey	[illegible]
Indonesia	[illegible]	Oman	[illegible]	UAE	[illegible]

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ENVIRONMENT

Futures trading in 'green credits'

Page 21

World News

Six held in Japanese trading house scandal

Six men were arrested in Japan in connection with the scandal involving trading company Itoman, which came close to bankruptcy through speculations in property and art. Those detained include former Itoman president Yoshihiko Kawamura. Page 12

Shamir praises Syria
Israeli premier Yitzhak Shamir signalled optimism about US Middle East peace proposals. He compared Syria's agreement with the plan with Egyptian president Anwar Sadat'e decision to break Arab ranks in 1977 and negotiate with Israel. Page 3

Croats warned of war
Croatian president Franjo Tudjman stormed out of a Yugoslav leaders' meeting and warned Croats in a television address to prepare for "all-out war, possibly within days". Page 2

UK army cuts
The British Army is to be cut by 40,000 to 116,000 personnel. Many regiments will be merged, hut Wales's oldest, the Royal Welch Fusiliers, won a reprieve. Page 12; Background, Page 8

'No Falklands talks'
British foreign office minister Tristan Garel-Jones ruled out talks between the UK and Argentina over sovereignty of the Falklands (Malvinas) as "out of the question".

American jailed
Russian-born American Eric Ruhin, 53, was jailed for 12 years at London's main criminal court for his part in one of Britain's biggest armed robberies – a £40m ($64m) raid on a safe deposit centre in 1987.

Compensation plan
Former political prisoners in communist East Germany are to be paid at least DM450 ($246) by the German government for every month they speot in jail.

China flood aid
Relief organisation World Vision International criticised the west'e slow and limited response to floods which have killed over 1,300 people in China. Hong Kong had contributed more than the sum of donations from five big western nations, a spokesman said.

Vietnam opens files
Vietnam has for the first time let US experts see military archives which could reveal the fate of American soldiers missing since the Vietnam war, Hanoi said.

Madagascar emergency
President Didier Ratsiraka of Madagascar, under pressure to quit after 16 years in power, declared a state of emergency in the capital Antananarivo and ringed government offices with guards. Page 3

Iraqi hostage's suicide
Britoo Clive Stringer, held in Iraq for four months as a "human shield" hostage, returned home a changed man and six months later killed himself with a shotgun, an inquest in southern England was told. A suicide verdict was recorded.

Rushdie 'hit squads'
An Iranian dissident group said it had proof that the Tehran government had dispatched hit-squads to kill author Salman Rushdie and was behind attacks on his Italian and Japanese translators. Rushdie'e The Satanic Verses is considered blasphemous by many Moslems.

Labour braced for polls
Britain's opposition Labour leader, Neil Kinnock, put his party on alert for a possible November 7 general election – the date he believes prime minister John Major will pick.

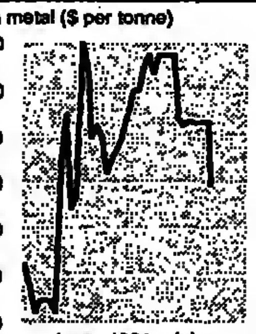
Business Summary

FT-SE 100 signals new closing high for UK stocks

London stock market shares left the narrow trading range they have occupied for four months. The FT-SE 100 index of leading stocks rose 29.4 points to a record closing high of 2587.9, after reaching 2594.7. The market fell in the last half hour after poor performance on Wall Street. The Dow-Jones Industrial Average later fell further, slipping below 3,000, to 2,997.76 by lunchtime, down 15.21. London's rise stemmed from Monday's strong retail sales and trade figures, seen as signs that economic recovery would soon be under way. Markets, Section II

Aluminium

Cash metal ($ per tonne)



Source: Datastream

ALUMINIUM prices continued to fall on the London Metals Exchange, although the market was ahle to absorb fairly heavy producer hedge sales. The 2,325 tonnes rise in LME warehouse stocks was smaller than expected but traders are confident of further large arrivals during the summer. Page 22

PHILIPS, Dutch electronics group, is to sell most of its loss-making computer division to Digital Equipment Corporation (DEC) of the US for an undisclosed price. The transaction will boost DEC's presence in Europe. Page 13

WEST GERMAN inflation appeared to have moved above 4% when one of the country's biggest states, North Rhine-Westphalia, announced a provisional rate of 4.3%. It could trigger interest rate rises by the Bundesbank. Page 12

TETRA PAK, Swiss packaging group, is expected to be fined heavily by the European Commission, possibly more than the record fine of Ecu47m ($52.48m) . Page 12

NATIONAL Home Loans, one of the UK's largest mortgage lenders, faced a liquidity crisis as local authorities withdrew their deposits. The Bank of England and the eight biggest British clearing banks launched a £200m cash rescue. Page 13; Lex, Page 12

TRADE: European Commission has asked EC governments for their approval of the deal negotiated with Tokyo on future Japanese car imports into the Community. Page 4

BOOTS, UK-based pharmaceutical and retail group, announced that Warner-Lambert, big US drugs company, would be its US marketing partner for Manoplax, a drug not yet launched. Page 13

UNION BANK of Switzerland, biggest Swiss bank, announced a substantial improvement in consolidated earnings for the first half, hut gave no figures. Page 14

EUROPEAN Commission attempts to win industry support for its proposed common standard for high definition television is under threat. Broadcasters in several countries are resisting agreeing to a memorandum promoting D2-Mac. Page 12

DAIMLER-BENZ's chairman signed the FFr2.4bn ($406m) agreement with Mr Serge Kampf, Sogeti's chairman, in which the German group will take a 34 per cent holding in Sogeti and subscribe to a convertible loan initially, and buy a warrant to subscribe to a capital increase in 1995.

Bush dilutes chemical arms control proposals

By Lionel Barber in Washington

PRESIDENT George Bush, who has made a global ban on chemical weapons a central US foreign policy goal, has backtracked on earlier pledges to open US military and government-controlled sites for international inspection.

Mr Bush has won support for the policy shift from Britain, which has previously been a strong advocate of intrusive on-site inspections to verify compliance with an international chemical weapons treaty.

Although US and British officials defend their joint proposal as a compromise necessary to protect national security, arms control experts and other critics argue that the terms of verification may be so loose as to undermine tha value of a treaty.

The joint US-British proposal, co-sponsored by Australia and Japan, was submitted last week to the UN-sponsored international chemical weapons talks in Geneva. It follows a fierce inter-agency battle in Washington.

The challenge issue – the right to demand on-site inspection – is the last remaining big obstacle in the long-running Geneva talks. The importance of on-site inspection has been illustrated graphically by Iraq's recent defiance of United Nations inepectors seeking access to suepected nuclear weapons sites.

The US would like to see a chemical weapons treaty signed by next May, just before the November 1992 election. In an effort to speed up the talks, Mr Bush recently dropped US ineistence on preserving a small stockpila of chemical weapons and renounced the right to retaliate with them.

Behind tha scenes, however, hardliners opposed concessions on on-site inspections, arguing that it could allow hostile interests to engage in "fishing expeditions" at other top-secret facilities such as "stealth technology" plants.

This argument grew stronger after the victory of the Gulf war when US military technology proved decisive. Moreover, hardliners believe that chemicals are so difficult to detect that a treaty may be unverifiable.

The British government, which said a year ago that "there are no UK sites so sensitive thet we could not allow some form of access within thesite", floated a compromise known as "managed access" to break the deadlock.

However, by joining forces with the US, the British have passed up the chance to stand with the French and Germans in favour of a more strict verification regime. The treaty language also shows thet London was forced to give ground on "managed access".

In a section entitled inspections under article 9 of the proposed treaty, the language states: "The inspection team shall be guided by the principle of conducting the inspection in the least intrusive manner possible, consistent with the effective and timely accomplisment of its mission."

The principle of managed access is also watered down. The signatory states would be

Continued on Page 12

Major knew of BCCI problems two years ago

By Peter Norman, Richard Waters and Ivo Dawnay in London

Ashley Ashwood

Bank issue: Robin Leigh-Pemberton leaves the House of Commons yesterday after answering questions on BCCI

MR JOHN MAJOR, the UK prime minister, was told on several occasions of problems surrounding the Bank of Credit and Commerce International by Mr Robin Leigh-Pemberton, the governor of the Bank of England, when Mr Major was chancellor of the exchequer.

However both Mr Leigh-Pemberton and officials close to the BCCI affair say Mr Major only learned of fraud after the Price Waterhouse report on BCCI was produced at the end of June this year.

The issue of what Mr Major knew and when he knew it became the centre of fierce political controversy yesterday as Mr Neil Kinnock, the Lahour opposition leader, charged the prime minister with being "utterly negligent" in his handling of the case.

Amid scenes of uproar in Parliament, Mr Kinnock accused Mr Major of knowing of "grave irregularities" at the bank – which was recently closed down hy the Bank of England – in early 1990.

Mr Kinnock asked: "Wasn't your failure to act on the knowledge you had a complete dereliction of duty?".

A clearly furious Mr Major responded that the Labour leader was conducting "opposition by smear" in his attacks. "If yon are saying I am a liar, you had better say so bluntly," he added.

In his replies, Mr Major would only concede that "the first I knew of serious banking irregularities was on June 28, last month."

It emerged yesterday that at regular monthly lunches with Mr Major, when chancellor, Mr Leigh-Pemberton would raise issues relating to bank supervision.

It is understood that Mr Leigh-Pemberton mentioned BCCI by name a few times in the period between late October 1989 and the end of November 1990 and informed Mr Major of ths troubles at the bank and its involvement in laundering drugs money. He did not go into details.

The officials believe Mr Leigh-Pembertoo took special care to advise the Treasury and Mr Major of regulatory concerns because of criticism of the Bank of England over its rescoe of Johnson Matthey Bankers in 1984.

Mr Leigh-Pemberton told the Treasury Committee of the House of Commons yesterday that he had spoken with Mr Major about the BCCI restructuring plan of April 1990 and of other aspects of the bank on other occasions.

Matters brought up at these meetings included BCCI's convictions for drug money laundering in the US in 1989, he said.

"Certainly I would have talked to the chancellor about the Tampa affair," he said.

Mr Major was also kept the financial troubles of the bank from April 1990 onwards, when a report from Price Waterhouse, the bank's anditors, revealed large possible bad loans. "Certainly at the time of the April report, I remember talking to the chancellor about BCCI," Mr Leigh-Pemberton said. But he said that he would not have told Mr Major about the suggestions of impropriety that Price Waterhouse had raised. "I would not have told him about the context of that report," he said.

Mr Leigh-Pemberton said that, at a further meeting in October, he "distinctly remembered" telling the chancellor that the bank's UK branches were sound.

He said: "All chancellors I havs served have been aware that it (BCCI) might cause us difficulties and I have assured them I would keep them informed about irregularities that might cause difficulties or embarrassment."

It was also revealed for the first time before the committee that the fraud which sventually led to the closure of the bank involved "representatives of the shareholders", the ruler and government of Abu Dhabi. Mr Leigh-Pemberton said that, for diplomatic reasons, he could not go into further detail.

BCCI shutdown, Page 6

Soviet Union applies to be full member of IMF

By Peter Riddell in Washington and John Lloyd and Leyla Boulton in Moscow

THE Soviet Union has applied for full membership of the international Monetary Fund and World Bank rather than the special associate statns endorsed by the Gronp of Seven leaders last week.

The IMF annonnced last night that President Mikhail Gorbachev had written to Mr Michel Camdessus, the fund managing director, applying for membership, a necessary step to joining ths World Bank.

This unexpected announcement will embarrass the US which, together with Japan, has argued that the Soviet Union will not be ready for full membership, and hence the right to borrow from ths fund, for some time.

Instead they have favoured special associate status as a means of providing immediate technical advice on designing an economic reform programme.

In practice, the US and Japan have the voting power in the IMF, which is weighted by size of economies, to block a Soviet membership application.

The decision to apply for full membership of the IMF was taken by the Soviet government in May, hut a formal application was only lodged in the last few days.

Soviet ministers believed that they sbould apply as soon es possible for full membership, because of the long time between applicatioo and the granting of full status.

Mr Vladimir Shcherbakov, the first deputy prime minister, said he believed the application process would take six months. However, US officials believe it could take two years or more.

The IMF said yesterday that it stood "ready immediately to extend to the Soviet Union the appropriate technical co-operation which may be required in its present situation."

Teams from the IMF and the World Bank arrive in Moscow next week to begin a close examination of the Soviet economy. Mr Norman Lamont, the British chancellor, is also expected to arrive on Wednesday to start talks on economic assistance with Mr Shcherbakov.

The speed with which the IMF, the Bank and Mr Lamont – representing the Group of Seven leading industrial nations rather than just the UK government – have moved indicates urgent moves to follow up the Loodon agreement to assist the Soviet Union in its reform process.

Officials in the international economic institutions and the G7 governments fear that the collapse of the Soviet economy will soon make peaceful reform more difficult.

The IMF and the World Bank are anxious that there should be a systematic approach to supporting reform. But a crucial problem will be deciding on the size of the Soviet qnota or subscription.

The financial organisations also fear that the mandate given to them hy the London eummit – aiding piecemeai projects and delivering technical assistance – will not be enough to tackle the problem of the worsening Soviet economy.

Gorhachev draft programme for Communist party brings split nearer, Page 2

Unisys to cut 10,000 jobs and reduce product range

By Martin Dickson in New York

UNISYS, ths struggling US computer manufacturer, yesterday announced a programme to cut coets, involving 10,000 job losses, consolidation of plants, a slimming of its product range and $1.2bn special charges against second-quarter earnings.

It forecast that the moves would restore it to profitability later this year. The company, which has incurred heavy losses for the past two years, has been grappling with an extremely large debt burden – a legacy of the 1986 merger between Sperry and Burroughs which created the group – and a sharp downturn in the mainframe computer market.

Mr James Unruh, the chairman, said yesterday that the company was sticking to its strategic plan, announced last autumn, to focus its resources on a limited number of key markets. But the state of the industry meant it now had to speed up and broaden these changes.

The company, which has cut its workforce from around 90,000 to 70,000 over the past two years, now wants to reduce the total to 60,000, with some 6,000 of the cuts coming by the end of this year and the remainder mostly by the middle of next year.

About half the reduction would come from administrative staff and two thirds would be in the US. Other staff cuts would come from prodocts it has decided to "de-emphasise" – an apparent euphemism for gradually phase oot – and from plant closures.

Unisys said all these factors had produced a $925m restructuring charge in the second quarter, and it was also taking a $275m write-down on goodwill and investment losses. These turned its second quarter loss of $100.2m on revenue of $2.2bn into a net loss of $1.3bn, or $8.24 a share. In the same period of 1990 it made $11.8m, or a loss of 9 cents a share, oo revenues of $2.47bn.

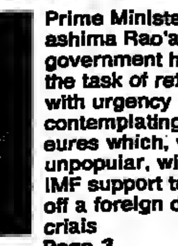
However, Mr Unruh said he was sure these actions would produce a "profitability breakthrough". Costs would be reduced by $800m on an annual basis by the end of 1992, producing an annual favourable change in cash-flow of $750m. The announcement was generally welcomed on Wall Street. Mr Rick Martin, an analyst at Prudential Securities, said the cost cutting meant that over the next six months or so Unisys would "get out of the woods". He said it should end talk that the company might have to file for bankruptcy.

However, Unisys's financial position remains tight. The latest write-offs mean the company has breached the terms of a $1.25bn revolving credit agreement with its hanks, which required it to have net worth of $3.5bn. The net worth floor has now been reduced to $2bn (compared to Unisys's currency-adjnsted total of $3.3bn). But the company will have to give the banks additional security if it wants to draw on the facility beyond the $1.05bn currently extended.

CONTENTS

MARKETS

India reforms its economy in attempt to secure IMF deal



Prime Minister Narashima Rao'a minority government has begun the task of reforming with urgency and ia contemplating measures which, while unpopular, will win it IMF support to stave off a foreign debt crisis

Page 3

STERLING
New York lunchtime:
$1.68185
London:
$1.6845 (1.681)
DM2.9575 (2.955)
FFr10.045 (10.035)
SFr2.570 (2.5575)
Y230.75 (231)
£ Index 91.1 (91.1)

GOLD
New York: Comex Aug
$ (368.1)
London:
$ (369.5)

N SEA OIL (Argus)
Brent Sep
$19.575 (19.95)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.75545
FFr5.959
SFr1.525
Y137.0
London:
DM1.7560 (1.7585)
FFr5.9625 (5.97)
SFr1.5260 (1.5215)
Y136.95 (137.40)
$ Index 66.9 (66.9)
Tokyo close: Y137.52

US LUNCHTIME RATES
Fed Funds: $5\frac{11}{16}$%
3-mo Treasury Bills: 5.754%
Long Bond: $96\frac{1}{32}$
yield: 8.467%

STOCK INDICES
FT-SE 100:
2,587.9 (+29.4)
FT Ordinary:
2,006.1 (+32.3)
FT-A All-Share:
1,234.10 (+1.1)
New York lunchtime:
DJ Ind. Av.
2,997.76 (−15.21)
S&P Comp
381.15 (−1.79)
Tokyo: Nikkei
22,756.96 (+58.69)

LONDON MONEY
3-month interbank: $11\frac{1}{32}$ ($11\frac{1}{32}$)
Liffe long gilt future: $91\frac{11}{32}$ ($92\frac{1}{32}$)

EUROPEAN NEWS

Croatian leader warns of 'all-out war within days'

By Laura Silber in Balgrade and **Anthony Robinson** in London

RELATIONS between Croats and Serbs plunged to new depths of bitternese and recrimination yesterday as fighting erupted hours after Mr Franjo Tudjman, the Croatian president, stormed out of a meeting of Yugoslav leaders in the lakeside resort of Ohrid.

In an amotional television address Mr Tudjman told Croats not to be provoked but to prepare for "all-out war, possibly within days" in defence of Croatia. Earlier at Ohrid he had rejected demands by the presidents of Serbia and other republics for the demobilisation of "all illegal formations and reserve forces in Croatia."

The federal order for Croatian units to disarm was also rejected by Mr Stipe Mesic, the Croat who currently chairs the collective state presidency. He accused Serbia of seeking to annex parts of Croatian territory. "Serbia is not fighting for the rights of Serbs in Croatia *but for the* Croatian territories where Serbs live," he said.

Croat representatives called for the withdrawal to barracks of the largely Serb-officered federal army in Croatia. But Mr Borisav Jovic, Serbia's representative *on the collective* presidency, argued that if the presidency accepted the Croat demand "we would have open civil war and blood up to our knees."

Mr Kiro Gligorov, the Macedonian president, said that the federal leadership would ask for European Community observers, monitoring the truce between Slovenian and federal forces in Slovenia, to be deployed in Croatia.

But diplomatic sources say EC involvement in the ethnic conflicts between irregular units in Croatia or Bosnia would risk them getting embroiled in a Lebanon-style conflict, totally different from the clearly delineated situation in ethnically homogeneous Slovenia.

A senior Dutch diplomat, Mr Henry Wijnaendts, was expected in Belgrade to urge further negotiations between the republics, but the Dutch foreign ministry said there were no immediate plans to expand the EC monitoring.

Units of the federal army are stationed in ethnically mixed Croatian villages ostensibly to keep the warring groups apart. But Croats complain that the army is intervening to defend Serb minorities and turning a blind eye to attacks on Croats by armed Serb "Chetnik" groups.

Two Croatian policemen were killed yesterday in a battle with Serb villagers in *Palaca, eastern Croatia, after* more than 20 people were killed on Monday in clashes between Croat policemen and Serbs.

Fighting was also reported between federal troops and Croatian forces on the border with Serbia.

Kohl says time not ripe for recognition

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl yesterday yielded to President François Mitterrand's persuasion and stated publicly that the time was not ripe for moves to recognise the independence of Croatia and Slovenia.

In so doing, he was resisting growing political pressure from the ranks of his own Christian Democrat supporters in the German government.

At the same time, the French *president firmly rejected* the use of force to hold the Yugoslav federation together, and then obliquely warned against any German temptation to intervene more directly.

"The era of great empires in the *Balkans is over,*" Mr Mitterrand declared, at the end of an informal bilateral summit on the Tegernsee, in the southern Bavarian alps.

The glorious summer weather and visual splendour of the mountain setting was supposed to underline the healthy state of Franco-German co-operation across the spectrum of international issues. However, the words of the two leaders suggested that, in fact, their relationship is decidedly wary on several issues, including Yugoslavia.

The principal subjects of discussion were the two inter-governmental conferences of the 12 EC member states, on economic and monetary union, and on political union.

While Mr Kohl praised Franco-German co-operation on political union, he merely expressed his conviction that a "reasonable compromise" would be reached on the out*standing questions on* monetary union – where the two sides are clearly divided.

As for Mr Mitterrand, he warned that it was "premature" to draw any conclusions for security co-operation from the progress on political union.

Austria in border pullback

AUSTRIA said yesterday it would withdraw 2,000 troops deployed on its border with Yugoslavia during fighting in the breakaway republic of Slovenia, Reuter reports from Vienna. A defence ministry statement said the pullback of troops and air force reinforcements would probably begin tomorrow and be completed by the end of the month.

Defence Minister Werner Fasslaband ordered extra forces to the frontier on June 28 after a Yugoslav jet fighter flew over Anstria during clashes in Slovenia that followed the republic's declaration of independence from Yugoslavia.

European Community observers are monitoring a ceasefire between the Yugoslav federal army and Slovenia as part of a July 7 agreement which included a three-month moratorium on implementation of the June 25 independence declarations by Slovenia and Croatia.

The accord ended fighting in Slovenia but failed to halt violence in Croatia.

Yesterday's statement quoted Mr Fasslabend as saying tensions had eased in Slovenia.

Police trample Hamburg's Red Flower protestors

Police yesterday baton-charged protestors to drive them off a construction site in Hamburg where *groups of young* people have lived for two years, turning the site into the so-called Rote Flora Park (red flower park). The state government plans to erect 42 council flats there, but the protestors say there are enough empty flats in the district.

Treuhand aims to bring defiant PDS to book

By Leslie Colitt in Berlin

THE German Communist party defiantly dug itself in yesterday for a confrontation with its latest enemy, the chartered accountants of the Treuhand privatisation agency.

The Treuhand is seeking to gain control over assets the party had obtained illegally since 1945. Mr Gregor Gysi, the east Berlin lawyer who heads the Democratic Socialist party (PDS) – which ruled East Germany with an iron hand as the Socialist Unity party (SED) – threatened to bar the accountants from his office in party headquarters, saying he would invoke his immunity as an MP.

The men in grey had been ordered by the Treuhand to investigate illusive records of the party's controversial assets.

Mr Gysi's portrayal of himself and his party as victims of state persecution brought an angry response yesterday from the Treuhand, which claimed he had turned reality "on its head". "The former SED gained assets by oppression and breach of law", it charged, and demanded they be handed over to the agency.

The party leader had challenged the right of an all-party commission to determine which of the PDS's assets had been obtained illegally. According to the unification treaty concluded by East and West Germany the PDS was only to be allowed to retain assets obtained by the SED according to "constitutional principles".

Mr Hanno Harnisch, PDS spokesman, claimed yesterday the commission was attempting to *exclude the PDS from* all political activity. It was clear the party would not get back its assets even if they were found to have been legally acquired, he said.

At issue are nearly 750 SED properties worth *several billion* D-marks at current prices. The choicest ones lie in the heart of east Berlin where Fundament, the party's real estate arm, is completing an office *block* to rent to western companies.

Bulgarian deputies return after walkout

THIRTY-NINE Bulgarian daputies who walked ont of parliament 10 weeks ago to demand new elections returned to their seats yesterday, a week after a date was fixed for the polls, Renter reports from Sofia.

The depaties, all from the non-communist Union of Democratic Forces (UDF), left the assembly on May 14, protesting that parliament was dominated by former communists, and demanding a date for new elections.

President Zhelyu Zhelev, a former UDF leader, last Tuesday set the date for the elections as September 29.

The 400-member assembly was elected last June in the country's first multi-party elections in four decades which were won by the former Communist party, now renamed Socialist.

Twenty-seven of the deputies who returned to their seats *on* Tuesday staged a nine-day hunger strike in protest at a new constitution passed two weeks ago which they dismissed as the product of a communist-dominated body.

The hunger strikers demanded a referendum on the issue but ended their protest on Friday with their main wish unfulfilled.

The row over the constitution - drawn up by Bulgaria's first multi-party parliament in four decades – sparked a wave of political unrest in the Bulgarian capital.

Riot police clashed with stone-throwing youths in central Sofia last Wednesday shortly after a rally called by the Socialists in support of the constitution.

The constitution, which is now in force, guarantees human rights, recognises various forms of property ownership, and defines the powers of the government and president.

● US President George Bush will create a $5m fund to *encourage the development* and growth of agriculture and related industries in Bulgaria, the White House announced on Monday.

Gorbachev's draft programme for Communist party brings split nearer

By John Lloyd in Moscow

MR MIKHAIL GORBACHEV, Soviet president and general secretary of the Soviet Communist party, will tomorrow present his party's central committee with a draft programme designed to reshape it into a social democratic party, com*mitted to pluralism, a mixed* economy and civil rights.

The programme, which has gone through some nine drafts – of which the final is the general secretary's own – retains the same thrust as the earlier, more wordy documents. *It* constantly repeats the party's devotion to democratic norms, "unconditionally denounces" (for the first time) the crimes of Stalin and says that "noble ends can never be schieved by ignoble means".

Its unambiguously revisionist style has already outraged the party's hardliners – the people who Mr Gorbachev hopes will resign, leaving him in charge of a democratically-oriented party still retaining its vast and secret wealth.

He will hope to gain added lustre before the central committee following a meeting of the federation council of republican leaders, which was meeting at Novo Ogarevo, near *Moscow, late last night* with the aim of finalising work on the union treaty.

Already, his closest allies in the party central committee – Mr Arkady Volsky, head of the Industrial Scientific Union (of employers) and Mr Alexander Yakovlev, a presidential side – have said that they have 100 of the 500-strong central committee behind them in their insistence that the programme must be adopted. If it is not, they say, they will adopt it anyway, possibly by forming a breakaway party round the programme.

However, there were signs yesterday that the hardliners would play the struggle long. Mr Alexander Ilyin, the second secretary of the Russian Communist party, said yesterday the programme was merely a draft for discussion this week – after which there would be party and pnblic discussion and it would be finally adopted or *rejected at the party* congress, probably in November.

According to the weekly newspaper Nezavisamaya Gazeta, which published the draft programme yesterday, Mr Gorbachev may be forced to resign at that congress. But there are no serious forecasts that he will be forced out, or choose to resign, this week.

The hardest of the hardliners, however, have chosen to raise the spectre of military intervention. A front page appeal in the Sovetskaya Rossiya newspaper yesterday, signed by Mr Boris Gromov, deputy interior minister, and Mr Valentin Varennikov, a deputy defence minister, with 10 others, said: "A great disaster has taken place... the Motherland is dying...we are convinced that the army and the navy... will prevent fratricidal war and the destruction of the Motherland."

The programme, cut by half *from its original 50 pages* to a mere 23, professes itself to be against both "total state ownership and total privatisation".

It gives pride of place to the immediate governmental tasks – creation of a federation of self-governing states, the shift towards a mixed economy and the creation of a secure base for civil liberties and a "law governed state".

It admits that the capitalist countries have leapt ahead of the Soviet Union in technology and in the satisfaction of consumer needs, but adds that "contemporary capitalism cannot provide for the harmonious development of society, and of man himself".

Yeltsin attempt to curb party activity likely to be challenged

By John Lloyd and **Leyla Boulton** in Moscow

THE decree issued by Mr Boris Yeltsin, the Russian president, banning communist and other party organisations at workplaces is likely to face a challenge on constitutional grounds.

The decree, signed on Saturday and coming into force on August 4, bans all organisational activity in workplaces except that of the trade unions – and then only hy agreement with management.

Mr Vitaly Ignatenko, the presidential spokesman, said that "many are raising questions about the constitutionality of this decree.... there is concern that this decree contains elements of tension and confrontation".

The communist party's politburo took a harder line, blasting the "anti-constitutional and anti-democratic act, illegal interference in the activities of public associations and the violation of their rights". It called on the Soviet and Russian parliaments to oppose the "curbing of democracy".

Mr Alexei Ilyin, second secretary of the Russian Communist Party, said the political decree violated international norms and was "playing political games after the London summit, before the party plenum. It wants to distract public opinion from what is happening in society".

The party's "primary organisations" are traditionally based in workplaces rather than in geographical localities. The draft party programme to be discussed at the central committee plenum tomorrow contains a clause which would encourage both to exist.

Workplace branches have played a powerful controlling role in plants – though in recent years this has faded and many have been disbanded. In addition to the party and trade union structures, other organisations – euch as womens' associations, veterans' unions and youth organisations – have been represented in workplaces, all under the tutelage of the the communist party. However, these organisations now claim to be independent from the party and resent their loss of rights.

FIVE YEARS after the Chernobyl nuclear disaster, *personnel at Soviet nuclear* power stations still make frequent errors, according to a senior government official, Reuter reports from Moscow.

Twenty of 59 stoppages at Soviet nnclear stations in the first six months of this year were caused by human error, said Mr Anatoly Mazalov, of the state nnclear safety committee.

US leader's itinerary outlined

By Leyla Boulton in Moscow

PRESIDENT George Bush will arrive in Moscow on Monday night for his long-awaited summit with President Mikhail Gorbachev and will wind up his trip with a visit to Kiev, the capital of the independence-minded repnhlic of Ukraine.

Mr Vitaly Ignatenko, the president's spokesman, said yesterday the treaty reducing the two countries' nuclear arsenals would be signed in the Kremlin on Wednesday, the second day of talks between the two leaders.

Apart from bilateral issues and Soviet economic reforms, the talks will include Middle East peace efforts and other regional issues. Mr Gorbachev would not accompany President Bush to Kiev, since the trip there was an American initiative, Mr Ignatenko said.

East German prosecutors and judges investigated

FORMER East German state judges and prosecntors are under criminal investigation for jailing people to silence political dissent, Berlin Justice Senator (Minister) Jutta Limbach said yesterday, Reuter reports from Berlin.

They are suspected of perverting justice, an offence in the west German criminal code extended to the east after unification in October 1990, Ms Limbach told reporters.

She declined to say how many former judges and prosecutors were involved, but she said the scope of inquiries was likely to spread and 67 former east Berlin judges had already been sacked for their role in political verdicts.

Special examining committees formed after unification have been vetting the credentials of more than 1,500 eastern jndges and prosecntors to decide their professional future.

In the former East Germany, judges and prosecutors usually had to be Communist party members. Refusal to punish people convicted of political offences in the *criminal* code, such as "anti-state agitation," would usually have meant dismissal and discrimination in all aspects of life.

The committee checks, coupled with ignorance about western law, has crippled eastern Germany's legal system. Hundreds of German jurists from the west have been sent to the area to clear up case backlogs and retrain eastern colleagues.

Tens of thousands of east Germans convicted of political offences under the 40-year Communist regime are seeking to clear their names and win financial damages.

Hundreds of criminal inquiries are pending against former Communist government leaders, security police agents and border troops for offences ranging from fraud to murder.

● The Bonn government plans to pay former political prisoners in communist East Germany compensation of at least DM450 ($255) for every month that they spent in prison, government sources said yesterday. Renter reports from Bonn.

The sources said tha compensation scheme, outlined in a draft law to be put to the cabinet on Wednesday, would cost the government at least a billion marks ($570m).

Finance Minister Theo Waigel had proposed a figure of 450 marks per month, but the sources said the sum was likely to be slightly higher.

Community to give grain to hungry Albanians

By David Buchan in Brussels

THE European Community is to give Albania 50,000 tonnes of wheat and canvass other western donors for a further 100,000 tonnes of grain to relieve acute food shortages in the newly-democratised Balkan country.

The decision was announced yesterday after Mr Frans Andriessen, the EC external affairs commissioner, returned from talks on Monday with Albanian leaders in Tirana.

Mr Gramoz Pashko, the deputy prime minister, said parts *of his country* had been without hread for weeks, while industrial output had fallen by half in the past six months.

While tha EC grain may not reach Albania until autumn, Brussels is planning an immediate Ecu500,000 worth of baby food and medicine.

The EC will also urge its partners in the G24 group of western aid donors to extend *project and investment* aid to Albania.

Conflict in Gulf spoils Luxembourg's soldiers

SOLDIERS OF Luxembourg's tiny army *smuggled home* captured Iraqi weapons from the Gulf and others smoked hashish in their barracks at home or stole guns, an inquiry has disclosed, Reuter reports from Luxembourg.

Justice officials said yesterday that at least 30 of the 500-strong armed forces were alleged to have used the drug at the main barracks in the town of Diekierch.

Soldiers had also *stolen* Israeli-made Uzi machine pistols from army depots nearby.

Tha grand duchy sent around 50 soldiers to southern Turkey and northern Iraq in May on a humanitarian mission with other Nato allies to help Kurds fleeing Baghdad's forces.

When they returned last month they smuggled in 10 Soviet-made Kalashnikov assault rifles, five Makarov pistols and 41 bayonets discarded by Iraqi forces.

"They were brought home as souvenirs," an official said.

French foreign trade gap widens

By George Graham in Paris

FRANCE'S foreign trade deficit widened to FFr3.8bn ($610m) in June, taking the shortfall after seasonal adjustments for the first six months to FFr22bn, compared with FFr14.6bn in the same period a year earlier.

The figure was not good, admitted Mr Pierre Bérégovoy, the finance minister, adding that the trade performance remained one of his main preoccupations. He noted, howevar, that exports remained stable at FFr99.1bn in June, while imports at FFr102.9bn were 2 per cent up from May. This possibly reflected growth in consumption and thus signalled a pick-up in the economy.

"This seems to me to show that we are emerging from a period of slowdown," he said.

Trade with the UK, Mr Bérégovoy said, had produced a rare deficit of FFr474m, where France had an average surplus of FFr1.4bn a month last year.

France recorded an overall deficit of FFr830m in trade with the European Community last month, compared with a FFr1.9bn surplus in May, while its deficits with the US and Japan remained broadly stable at FFr4.0bn and FFr2.1bn respectively.

The deficit in manufactured goods widened to FFr4.5bn, despite the sale during the month of 15 Airbus airliners worth FFr3.94bn.

Mr Bérégovoy ruled out any possibility of devaluing the franc. "There will be no devaluation. Devaluation always ends in a dose of austerity in which employees are the first to suffer."

The minister also announced a boost to France's programme of subsidised loans to small business. The Codevi scheme, which offers loans at an 8.75 per cent interest rate to businesses with turnover of less than FFr500m, will be expanded to FFr25bn, compared with FFr16bn last year.

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Israeli PM sees possibility of early negotiations with Arabs

Shamir praises Syrian move on peace plan

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, Israel's prime minister, yesterday likened Syria's acceptance of American Middle East peace proposals to the initiative of President Anwar Sadat of Egypt who in 1977 broke Arab ranks to open negotiations with Israel.

In an upbeat assessment of the chance of peace talks, Mr Shamir said the Syrian response was "a phenomenon similar to what happened in Egypt with President Sadat when a revointion occurred in his concepts that ultimately led to negotiations with Israel and to peace".

Mr Shamir said he was hopeful that "in a month or two, we will sit together with our neighbonrs' representatives and we will talk". The Israeli prime minister was speaking to a delegation of prosecutors from the US and his remarks were issued by his office.

However, Mr Shamir warned that sharp differences remained over Palestinian representation at any peace talks, an indication thet Israel will insist on maintaining a veto on anyone it considers to be associated with the Palestine Liberation Organisation.

Mr James Baker, the US Secretary of State, called on Israel yesterday to accept the broad outline of its proposals, while leaving obstacles such as Palestinian representation to he worked out later.

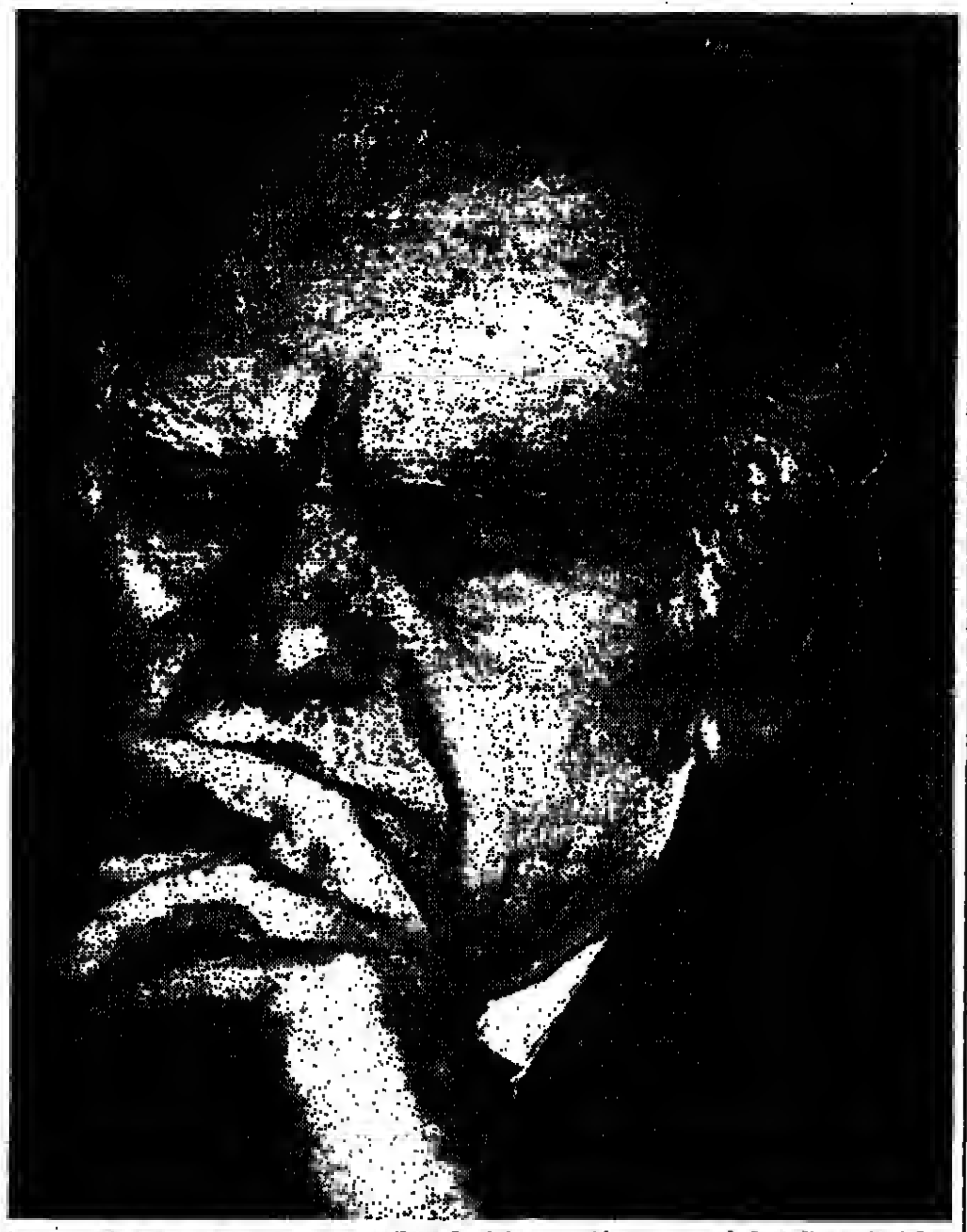
But a senior Israeli official said all details must be worked out first and suggested Israel might not meet Washington's call for an answer before the US-Soviet summit in Moscow next week.

Speaking in Kuala Lumpur, Mr Baker said the US was working on resolving these differences but said Israel should give a response "that would speak to other elements of the process. Then we will continue to work on whatever other elements exist, pending the actual convening of any conference."

But Mr Yossi Ben-Aharon, the director-general of the prime minister's office and one of Mr Shamir's closest advisers, said Israel needed to know in advance "the full picture" of who would participate in talks.

He reacted sharply to remarks hy Mr Brent Scowcroft, the US national security adviser, warning Israel against using delaying tactics and calling for an answer before the Moscow summit. "We asked the Americans not to accelerate because the issues are serious... I wouldn't risk an estimation on dates." The US has excluded the Palestine Liberation Organisation and plans a Jordanian-Palestinian delegation.

Mr Ben-Aharon made clear this was not enough. He said Israel would not sit with Palestinians "who are PLO in every way" – meaning leaders from the West Bank and Gaza Strip who support the PLO.



Shamir: differences over who represents the Palestinians must be overcome before climate is right

Few cries of banzai from the securities trenches

Sales staff at Nomura and Nikko brave flak from clients, write **Robert Thomson** and **Michiyo Nakamoto**

THE TRENCHES at the Nomnra Secnrities branch in the Tokyo district of Ikebukuro are defended by a young and enthusiastic staff. They take the flak from customers angered by the company's compensation of favoured corporate clients, and attempt to encourage those irate customers to invest once more in an ailing Tokyo stock market.

While Nomura's chairman and president have expressed their regret and resigned, sales staff in the front lines are handling a continuing stream of criticism, and branch managers are trying to devise ways of making stocks fashionable again. At Ikebukuro, they are planning a "Restore Investor Confidence" campaign for next month.

The problems are the same at the central Tokyo office of Nikko Securities, where sales staff last week were given a motivational lecture by their section chief and told to ring as many of their clients as possible that day to apologise for the company's improper behaviour.

"I apologised personally to my customers, and said that Nikko Securities was very sorry for having caused disturbances in society. I called about 50 or 60 people," a 24-year-old Nikko saleswoman said. She has about 480 regular telephone clients, and is expected to cold-call a few potential customers each day.

"Since the scandals started I haven't made calls to new clients. I'm a bit embarrassed and nervous. It's not easy to call somebody you don't know and say you are from Nikko and ask them if they want to buy shares. I know I have to do it, but it's a bit difficult."

She said that some old customers have sympathised with her over the difficulty of her job and that most irate callers are outsiders. Nikko's public relations division received a call from a man who warned staff "to take care when you walk in the street at night", while an extreme right-wing group last Friday drove a van into the front window of a Nomura branch.

Most individual investors had realised long ago that they were not treated as equals with large corporate clients by the brokers. The Big Four houses, Nomura, Daiwa, Nikko and Yamaichi, have admitted compensating clients for Y128.3bn (£573m)in securities losses, but the total compensation figure of all companies by all brokers is generally thought to be far higher.

Individuals who played the stock market during the price surge two years ago were aware of gangsters' fondness for stock trading and price manipulation, and some small punters attempted to go along for the ride on ramped and cornered stocks. However, those who put their money into stock investment trusts, which rely on the brokers' good faith in choosing and trading stocks, have more reason to complain.

S.G. Warburg Securities reckons that stock unit trusts are 96 per cent held by individuals and, at the end of May, they were showing a net loss of Y2,100bn on a par value of Y26,400bn. The Nikkei stock market average remains 40 per cent below the level of January last year, and there is little evidence that the market or the value of individuals' holdings will rise significantly.

Staff find it difficult to show enthusiasm while they are still uncertain if another scandal will be surfacing

Japanese investors have generally focused on the share price rather than the dividend yield, as dividend levels have fallen for eight out of the past nine years, and James Capel Pacific calculates that the present yield on the Nikkei index is about 0.68 per cent.

Nomura itself is offering fixed-income investment trusts yielding 7.36 per cent, so there is not much incentive to buy stocks.

Ownership and trading of stocks by individuals has been in relative decline over the past two decades. Individuals' share, by value, of stock ownership has fallen from 32.1 per cent in 1975 to about 20 per cent last year, while their share of trading volume has fallen from 30 per cent five years ago to 24 per cent this year.

The Ikehukuro branch of Nomura has noticed the difference. Mr Yoshihara Fukui, head of the investment consulting section, said that his 23 sales staff were unable to take lunch hreaks when share prices were surging two years ago. He reckoned that 1,200 people would walk into the branch to check share prices, have a chat or make an investment during those busy days.

"Now we get 700 to 800 people coming in, and maybe 200 of them will do some sort of business," Mr Fukui said.

At Nikko's head office, a saleswoman of four years' experience said her emotions could be measured hy the Nikkei stock index.

When the market was on the rise, she was pleased that her company and her customers were profiting. Now, she senses that "our customers need to be treated with compassion and they need to be assured of our sincerity".

Sincerity is a serious problem. The brokers had hoped that there would be a quick return to husiness as usual, but the scandals are still seeping out, and staff at several Japanese securities houses expressed disappointment at the lack of leadership shown by their executives.

The surprise resignation on Monday of Mr Setsuya Tabuchi, Nomura's chairman, and the emergence of details about medium and smaller brokers' compensation of select clients shows that the scandals have not yet been shut down.

Japanese workers have just received their summer bonuses and, at this time, brokers traditionally run high-profile advertising campaigns. This year has been different. There is a general mood of restraint,while Nikko and Nomura were forced to suspend marketing activities for four days as punishment for lending by their affiliates to gangster groups.

A Nikko saleswoman said that she genuinely believed the market is ready to rise, but she is frustrated that her long-time clients have lost confidence: "I really want them to invest because I truly believe we have reached the bottom. I want them to make money. I don't want to see them lose."

Canberra freezes A$7bn worth of trusts

By Emilia Tagaza
In Canberra

THE AUSTRALIAN government yesterday imposed a 12-month freeze on A$7bn (£3.3bn) worth of investments in unlisted property trusts.

The move is expected to ward off a run on the trust industry, which has already seen a few collapses among the minor trusts.

The freeze will affect small investors mostly but it has a hardship provision allowing those who desperately need their money to redeem their holdings.

Mr John Kerin, the federal treasurer, has guaranteed investors that they would be able to withdraw their money at the end of the period.

Property trusts boomed in Australia in the early 1980s, providing small investors with access to the rush on city commercial properties.

The bubble burst in the late 1980s, shaking mostly the unlisted trusts. Some have already negotiated a moratorium on redemption by their unit holders but the shake-out has brought on the danger of a disastrous run.

Mr Michael Duffy, the attorney general, said the run had not come and will now not come, but "who knows how close we had been?"

The freeze is designed to give unlisted property trusts some breathing space to reorganise their property holdings and get themselves listed on stock exchanges.

The government would like eventually to see investors being ahle to unload their units freely on the open market.

Listed property trusts have not heen unaffected hy the shake-out in the property market.

Allies consider easing Iraq sanctions

THE US and Britain are prepared to consider a very limited and tightly supervised easing of the United Nations sanctions against Iraq to allow the import of food and medicine, report *Peter Riddell*, US Editor in Washington and Mark Nicholson.

After speaking yesterday to Prince Sadruddin Aga Khan, the special UN envoy in the Gulf, President George Bush was highly cautious about any relaxation of sanctions but stressed that the US "is not going to see suffering of innocent women and children."

His remarks came as Mr Douglas Hurd, the British foreign secretary, said in Turkey yesterday that Britain may support a partial lifting of the almost year-old sanctions against Iraq, but only if there were quarantees that money from oil exports would not reach the Iraqi army or members of the ruling party.

The indications of a possible limited softening on sanctions policy follow warnings of the danger of famine and disease from the effects of the Gulf war, internal unrest and the embargo itself, highlighted by Prince Sadruddin's report.

The matter will be raised today at a meeting of the UN sanctions commmittee, which was set up last August to check compliance with the embargo. But British officials said any easing of sanctions would be entirely conditional upon finding a water-tight formula to ensure the money went directly to humanitarian needs.

Mr Bush's comments yesterday at the White House show the US reluctance to relax pressure on Iraq and its concern to avoid allegations the embargo is starving large numbers of women and children.

Stressing no decision had yet been taken, Mr Bush said, "the UN mechanism is clear in terms of helping children and those who may be threatened with either famine or disease. The machinery is in place there."

Sacrifice of India's sacred cows

K.K.Sharma on the deep cuts expected in today's Indian budget

THE recurring nightmare of Dr Maumohan Singh, the finance minister, that India will default on its external deht repayments is probably over hut bad dreams will continne to haunt him until the International Monetary Fund eigns a long-term loan.

The minister has moved briskly towards achieving this. Indeed, so fast have reforms and policy annonncements come since the P.V. Narasimha Rao minority government took office just over a month ago that most Indians are finding it difficult to digest them.

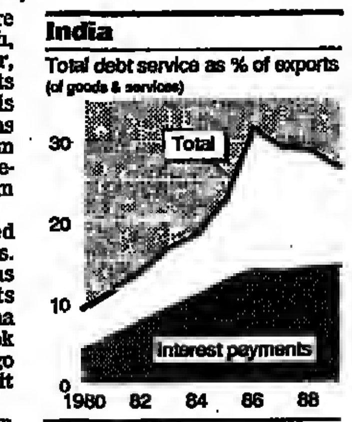
The 20 per cent devaluation of the rupee a fortnight ago has been followed by a dismantling of the labyrinth of foreign trade controls. Deregulation of induetrial policies is just around the corner.

The reforms are sweeping. Yet Dr Singh will not get his IMF loan unless much more is done to restore international confidence that tha government will take the "hard decisions" now that "soft options are over". Dr Singh will attempt this today when he presents the government's annual hudget to parliament.

The budget was postponed from last February under Congress pressure because of the approaching elections. Many, including the finance minister, believe the cause of India's current difficulties lies in the postponement, since this delayed urgently-needed reforms and allowed the economy to drift.

India

Total debt service as % of exports (of goods & services)



Dr Singh's task is easy to state but difficult to carry out. The government has long been living beyond its means, because of excessive internal and external borrowing. It has promised the IMF that it will reduce the fiscal deficit from last year's 8.3 per cent of GDP to 6.5 per cent in 1991-92.

This is the most basic of the "structural reforms" that are part of the deal with the IMF. For Dr Singh it means he must drastically reduce the Rs110bn (£2.5bn) deficit. He can do this only by raising taxes and slashing government expenditure, hut Dr Singh must tread carefully if these are not to hamper industrial growth.

In any case realisation of additional revenues at higher rates in the remaining eight months of the fiscal year cannot add substantially to the government's income.

Inevitably, the finance minister will have to take a hard look at government expenditure and carry out the IMF-mandated reforms. He has already given ample hints where the axe will fall in the pre-hudget economic survey published last weekend.

It spoke for the first time of the need to cut defence expenditure. This has been a sacred cow since India was defeated in the border war with China in 1962.

The generals and the so-called nationalists in all parties will oppose "excessive" defence cuts and most observers think he can at best get away with keeping this to present levels, which would mean reducing it by around 10 per cent in real terms.

Dr Singh has made no secret that be plans to cnt subsidies. The 20 per cent devaluation has already enabled the government to do away with Rs20bn worth of export subsidies and the axe is now expected to fall on food and fertiliser snhsidies, both of which are politically sensitive.

An equally sensitive and radical change would affect food subsidies, which are expected to be confined to the poorest sections of the population, no matter how heavy the political fall-out.

Similar cuts can be expected on the fertiliser subsidy, now Rs70bn.

For political reasons, Dr Singh will also have to tread carefully when he deals with India's hnge puhlic sector enterprises and their mounting losses.

The government has so far said little of plans for privatisation, even though this would be welcomed by the IMF. The interim budget presented last March provided for Rs25bn in revenues throngh sales of equity in some state-owned enterprises but this is far from emhracing outright privatisation.

Dr Singh has repeatedly spoken of "hard decisions." He has already taken some of them, attracting considerable flak in the process. Today's budget could well put the government to its most crucial political test.

New leader for opposition

By Robert Thomson in Tokyo

JAPAN'S largest opposition group, the Social Democratic party, yesterday chose a new chairman, Mr Makoto Tanabe, after an election that showed the party'e memhers are deeply divided over moves to embrace European-style social democracy.

Mr Tanabe, 69, will replace Miss Takako Doi, who led the party to success in an Upper House election in 1989, but has since fallen out of favour because of her inahility to steer a reform programme between a well-organised left wing and a more numerous right.

One of the more superficial reforms has been a change of name in English from the Japan Socialist party to the Social Democratic Party of Japan. The name remains the same in Japanese.

Mr Tanabe, regarded as a pragmatist, wants to introduce policies that would make the party a genuine alternative to the ruling Liberal Democratic party.

Those voters are intimidated by the orthodox Marxist tone of some party statements, and hy a foreign policy that appears to threaten the US relationship and calls for the abolition of Japan's military forces.

Before the in-house election, which lasted two days, party members said thet if Mr Tanabe's opponent, Mr Tetsn Ueda, a left-wing representative opposed to reform, collected more than 30 per cent of the votes, the SDPJ could look forward to a long and bitter argument over the proposed changes. But Mr Ueda received 43.95 per cent of the 85,755 votes cast, and his followers warned yesterday that the right wing will have to struggle to get even mild reforms approved next week at an extraordinary party congress, at which Mr Tanabe will be formally installed.

Support remains for Miss Doi, and both Mr Tanabe and Mr Ueda had suggested she be made an "honorary chairman", as neither wanted to be seen as pushing her ont of office. Miss Doi resigned last mouth to take responsibility for the collapse of her party's popularity, highlighted by a disastrous result at local elections in April.

State of emergency in Madagascar

MADAGASCAR'S President Didier Ratsiraka, under pressure to quit after 16 years in power, declared a state of emergency in the capital yesterday, moving armoured cars into the city centre and ringing government offices with guards, Reuter reports from Antananarivo.

He imposed a night curfew on Antananarivo and its suburbs – site of more than six weeks of largely peaceful protests organised hy the Active Forces coalition of government opponents who want a new, non-socialist constitution. Security forces are empowered to search homes, demand weapons be handed in and restrict the movement of people the government believes to be a threat to puhlic order.

Despite fears of a violent crackdown on demonstrations, about 300,000 protesters gathered in a central square of Antananarivo yesterday to await the reaction of the opposition. Leaders of the Active Forces were meeting to discuss the latest developments, opposition sources said.

Mr Victor Ramahatra, prime minister, said in an interview on state radio earlier that the government could control the press, ban meetings and close meeting places under strict legislation passed earlier this month.

De Klerk is outflanked by the warriors of apartheid

Pretoria's security police have undermined government credibility since the reform process began, writes **Patti Waldmeir**

PRESIDENT F W de Klerk'e message to senior South African police officers in January 1990 firmly stated that security forces would no longer be used to fight the ideological battles of apartheid. Political solutions would he sought for what were ohviously political problems.

"In the past, you have been asked to handle situations thet had nothing to do with ordinary crime. Circumstances have changed and we have reviewed our definition of crime," he told them.

After the revelations of the past few days in South Africa, showing clear evidence that security police have actively worked to weaken the African National Congress (ANC), one can he forgiven for asking whether South Africa's policemen were listening to their president – and ultimately, whether Mr de Klerk meant what he said.

Certainly, the speech sounded persuasive at the time. In an emotional address which Mr de Klerk says he made "from the heart, without a note", he warned that the alternative could be race war. "If this Armageddon takes place – and blood flows ankle deep in our streets and 4 or 5m people lie dead – the problem will remain exactly the same as before the shooting started."

It was taken as one of the first signs that the new president had abandoned the "total strategy" conceived by Pretoria to oppose what the ruling National Party saw as the Soviet-inspired "total onslaught" against it. For years, the strategy had permitted everything from regional adventurism to township atrocities on a grotesque scale.

All that was to have no place in the new South Africa. The hated National Security Management System, which pursued counter-revolutionary warfare in the townships through a combination of coercion and co-option, was dismantled: the State Security Council, the body at the apex of this system, was to be downgraded and proper cabinet control over the security establishment reintroduced.

Undoubtedly, some of this has succeeded. The dominance of the so-called "secnrocrats" over the civilians in former President P W Botha's government has been broken. Cabinet now has the confidence to ignore or reject recommendations from the State Security Council – something which almost never happened under Mr Botha. But, according to Mr James Selfe, an opposition Democratic Party member of parliament who is an expert on security matters, "the agenda remains fundamentally the same as it has always been – to defend Christian democratic values against the nasty communists".

Far more serious, though, are the activities – apparently freelance – of some members of the security forces. Over the past few weeks and months, numerous individuals have furnished hearsay accounts alleging security force involvement in assassinations of anti-apartheid activists and members of the ANC. A former South African army sergeant says units of the Special Forces regiment were actively involved in the township killings of the past year.

Even after the recent disclosures, no one wants to believe that President de Klerk himself has authorised any such atrocities. Mr Selfe points out that whereas in a normal western democracy, security policy is made at the highest levels and fed down to lower levels on a need-to-know basis, in South Africa local security force personnel act largely as they see fit. "A culture of violent retribution and extra-legal punishment has developed in the ranks of the SAP (police)," writes Mark Phillips, formerly a researcher into security activities.

The police have been asked to turn from ideological warriors into ordinary policemen overnight. Many have proved unable or unwilling to make the transition.

Mr de Klerk must now force that transition on them. He no doubt fears that sacking senior police and army officers would harm security force morale even further. But security analysts believe it is unlikely that sackings, (including the possible removal of the ministers of law and order and defence) would jeopardise the government's future. The greatest threat to that comes from failing to restore a culture of law and order.

THE personal assistant to Chief Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom party, has resigned after taking full blame for accepting funding from the South African government, an apparent attempt to deflect criticism from the Inkatha leader, writes Patti Waldmeir.

Mr M.Z. Khumalo said he had personally accepted payments of R250,000 ($87,000) from Pretoria, without informing Chief Bnthelezi. Inkatha said last night it would refund this sum to Pretoria.

Given Chief Bnthelezi's autocratic personal style, and the relatively junior position of Mr Khumalo, the latter's resignation seems unlikely to convince critics of Chief Buthelezi's innocence.

Meanwhile, the South African cabinet cahinet last night completed n two-day special session believed to have been dominated by the issue.

Mr F.W. de Klerk, president, said after the meeting that he would make a full statement on the matter next Tuesday, after holding further meetings over the weekend.

De Klerk: on the defensive

AMERICAN NEWS

Brazil suspends IMF talks in negotiator row

By Victoria Griffith in São Paulo

THE BRAZILIAN government has suspended its negotiations with the International Monetary Fund (IMF) in a row over remarks allegedly made by Mr José Fajgembaum, the Fund's chief negotiator with the country.

President Fernando Collor has demanded that the IMF replace Mr Fajgembaum with a new negotiator. All meetings echeduled between him and the Brazilian government have been cancelled.

The row erupted last week when Brazilian journalists reported that Mr Fajgembaum had said Brazil would have to alter its constitution if it wanted the $2bn (£1.2hn) extended fund facility it was seeking from the IMF.

Mr Fajgembaum said the government should eliminate a constitutional law guaranteeing individual states a share of federal tax income. According to the reports, he said inflation in Brazil could only be beaten with a reduction in the federal deficit.

President Collor angrily retorted that tbe negotiator should "put his own house in order". The president was told of the reported remarks over the weekend, while he was still in Mexico attending the Iberian summit. Mr Fajgembaum, an Argentine, said the incident was a misunderstanding.

It is not yet certain what the long-term repercussions will be for the IMF talks. "I think we'll have to wait and see," said a Ministry of Economics spokesman. "It's still too early to tell."

"I think both sides have too much at stake for this to seriously impact the negotiations," said Mr Riordan Roett, head of Brazilian Studies at the Johns Hopkins School of Advanced International Studies. Mr Roett believes that President Collor had to react to the Mr Fajgembaum's comment, for domestic political reasons: "If he hadn't done anything, Brazilians would have thought that he was selling out to the IMF."

Brazilians have been sensitive about negotiations with the IMF since the 1980s, when hundreds of public demonstrations protested tbe organisation's interference in the Brazilian economy. The IMF mission in Brazil is waiting for instructions from Washington.

White House aide warns on credit

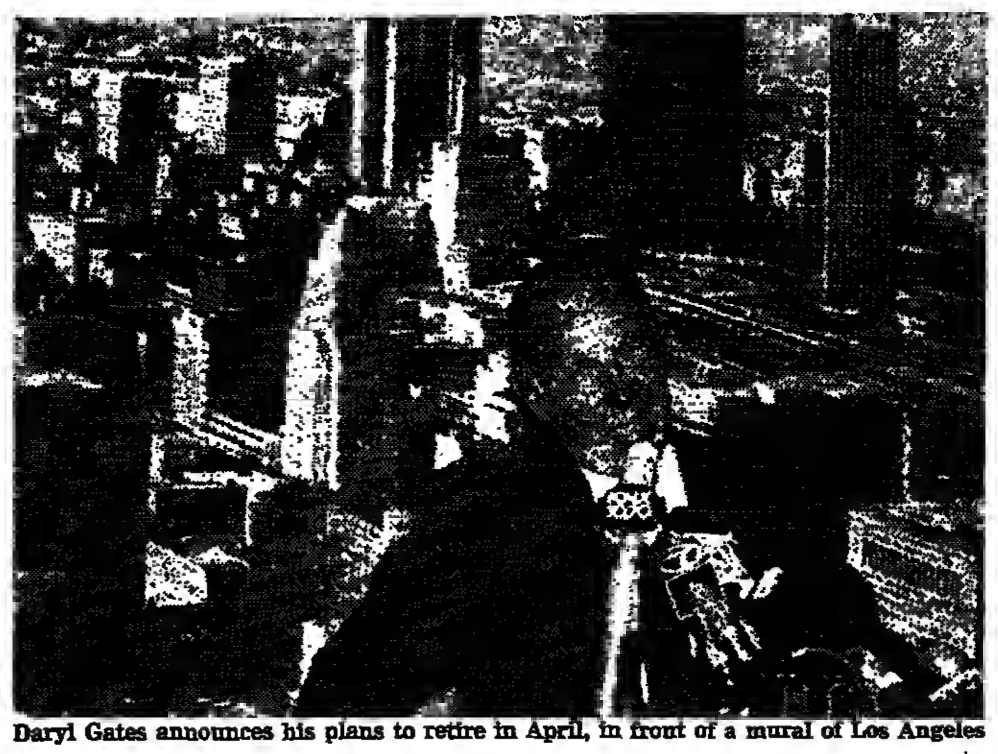
By Michael Prowse in Washington

RESTRAINTS on the supply of credit are the single biggest threat to US economic recovery, Mr Michael Boskin, the chief White House economist, told a Congressional committee yesterday.

He said that the Federal Reserve'e "wait and eee" stance on interest rates was acceptable to the White House for the time being. However, if monetary growth did not speed np, further reductions in rates would be desirable.

Mr Boskin said the Bush administration had sought "safe, prudent" regulation of financial institutions, bnt the pendulum had swung too far towards restriction. He was frustrated that regulators were still imposing excessively stringent standards. The "credit crunch" had not eased and was posing serious problems for small and medium-sized companies.

Mr Boskin said the recession appeared to have ended during the second quarter of this year, bnt the strength and duration of the recovery remained uncertain. He anticipated a return to more solid growth later this year and sustained expansion beginning in 1992, with inflation and long-term interest rates set to fall.



Daryl Gates announces his plans to retire in April, in front of a mural of Los Angeles

LA police chief bows to brutality claims

By Peter Riddell, US Editor, in Washington

MR DARYL GATES, the embattled chief of the Los Angeles police, has bowed to tbe controversy over alleged brutality in his department by announcing his retirement from next April, provided a replacement has been found.

The conduct of Chief Gates and his department has been at the centre of a national debate for the past four months after a videotape of the beating of a black motorist by several white police officers was shown on television.

An independent commission headed by Mr Warren Christopher, a former depoty secretary of state, earlier this month sharply criticised the department for tolerating racism and brutality by officers, as vividly recorded in computer messages. The report urged Mr Gates to step aside.

An unrepentant Mr Gates, who will have served 14 years as chief by next April, announced his decision in an emotional videotaped address to officers.

The city's police commission backs the changes suggested in the Christopher report, involving more community policing, psychological tests for officers and tougher discipline of brutal members of the force.

The Gates affair has highlighted the chief's conflict with tbe city's long-serving black mayor Tom Bradley and white middle-class fears about the high level of violence in the city.

Britain says talks on Falklands sovereignty 'out of the question'

By Robert Mauthner, Diplomatic Editor

TALKS BETWEEN Britain and Argentina on the disputed sovereignty of tbe Falkland Islands (Malvinas) are "ont of the question", Mr Tristan Garel-Jones, Britisb foreign office minister, said in London yesterday.

Mr Garel-Jones told a lunch of tbe Diplomatic and Commonwealth Writers' Association there could be no return to the situation before 1982, when Argentina invaded the Falklands.

It was one of the toughest statements made recently by a member of the British government on the sovereignty question that has bedevilled relations between the two countries for years.

Before the Argentine invasion, London and Buenos Aires had been involved in discussions on possible fnture arrangements for the Falklands. "Whatever may have been possible then, Argentina, by its clumsiness, has put out of court. I can't see any prospect of returning to the pre-1982 situation," Mr Garel-Jones said.

The minister referred to the commitment by Argentine President Carlos Menem, wben he took office in July 1989, to place the dispute over Falklands sovereignty under a diplomatic "umbrella". This was interpreted as meaning that it would be given a lower priority in Argentine foreign policy.

Diplomatic relations between Britain and Argentina were restored last year and, earlier this year, relatives of Argentine servicemen buried on the islands were allowed a one-day visit to the Falklands.

However, an appeal to restore direct links between Argentina and the Falklands, made two months ago by Mr Mario Cámpora, the Argentine ambassador to London, bas fallen on deaf ears. Before the conflict, an air service linked the islands and Argentina.

Fed hawk takes aim against inflation

Michael Prowse discovers a Bundesbank soul-mate along the shores of Lake Erie

MR LEE Hoskins, the president of the Federal Reserve Bank of Cleveland, would not be out of place in the Bundesbank. Born in Los Angeles in 1941, he has not personally experienced the horrors of a collapsing currency. But he hates inflation with a truly Germanic zeal.

Since taking the top position at Cleveland in 1987, Mr Hoskins has become one of the most vocal of the "inflation hawks" on the US Fed's policy-making open market committee. In February, wben the recession was in full swing, he was already preaching caution. Lowering interest rates further, be suggested, would not necessarily be the right response to a slowdown primarily caused by higher oil prices.

Sitting in his rather grand office (Cleveland is one of the few regional Feds to retain its original building), Mr Hoskins takes exception to the adjective "hawkish". He argues that his views on inflation are in line with those of policymakers throughout the western world. It is only the US or, more accurately, Washington, that has resisted the trend towards greater emphasis on anti-inflationary policies.

"My disagreement," he says, "is with a view of demand management that was prevalent in the 1960s." Many Keynesian economists tben claimed the existence of a long-run trade off between growth and inflation. Countries could choose faster growth and higher employment at the expense of higher inflation.

Mr Hoskins finds it ironic that US politicians are almost alone in still believing demand management is possible when it was primarily American economists, such as Professor Milton Friedman, who undermined the economics profession's faith in fine tuning.

With the money supply growing at an annual rate of only about 4 per cent, Mr Alan Greenspan, the Fed chairman, is under pressure to ease monetary policy in order to accelerate economic recovery. Most forecasters expect growth at an annual rate of only 2-3 per cent over the next few quarters. In the first year of most previous recoveries, growtb has exceeded 6 per cent.

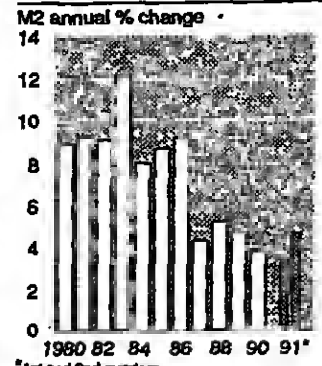
Mr Hoskins strongly opposes further easing. "What is a normal recovery?" he asks. In previous npturns, be argues, the Fed pumped a lot of money into the system. That increased growth in the short run but also created inflation. He says a normal recovery should be defined as one that is non-inflationary; growth of 3 per cent or less would thus be normal.

"I would like monetary growth brought down to a non-inflationary rate of 2-3 per cent", he says. The best way to achieve this, he says, would be to lop the top off the current 2.5-6.5 per cent target band for M2, the most closely watched measure of hroad money. Last week Mr Greenspan rejected a tightening of monetary targets, claiming that maximum flexibility was needed given tbe uncertain ontlook for the real economy.

Mr Hoskins, a former director of research at the Philadelphia Fed, says he is not a rigid monetarist. He is not wedded to monetary targets sucb as M2. He regards this as merely "a tool to get at the ultimate objective, which is eliminating inflation." However, he concedes that the volatility of the velocity of money (the fact that the speed witb wbicb it changes hands can vary) complicates the use of strict monetary targets.

He is broadly content with the recent conduct of monetary policy, arguing that the Fed has been more committed to inflation reduction since Mr Greenspan took over in 1987.

US monetary growth



*1st and 2nd quarters

But he points out that tbe Fed's tendency to announce interest rate cuts immediately following bad economic news – such as falling employment – has only reinforced the misconception that it is able to fine tune the economy.

In Mr Hoskins' view, tbe only good jnstification for interest rate cuts during the recession was to revive flagging monetary growth.

In a stream of yellow-edged Cleveland Fed policy papers, Mr Hoskins has tried to promote the goal of "zero inflation." He accepts that most Americans seem content with steady inflation of 4-5 per cent a year, but argues that the Fed must "adopt a leadership role" and try harder to convince people that even low inflation seriously distorts the allocation of resources. The difficulty, however, is that few academic studies indicate that low, steady rates of inflation do pose an economic threat.

Mr Hoskins is undeterred. He will continue to campaign for a change in the Fed's objectives. At present it has a variety of goals, including maximnm prodnction, stable exchange retes and price stability. Mr Hoskins believes the attempt to serve several masters compromises its ability to serve any. He says the Fed cannot influence production except temporarily; and be regards intervention in currency markets as foolhardy.

The Fed's mandate should thus be changed to make price stability – or zero inflation – its primary objective.

An hour with Mr Hoskins leaves one convinced that doubt has no more place in his intellectual universe than in Mrs Margaret Thatcher's. Inflation is the enemy and it must be killed – stone dead. It seems almost a shame that his crusade attracts so little interest on Capitol Hill, Wall Street or Main Street.

WORLD TRADE NEWS

EC sends Japanese car deal to member states

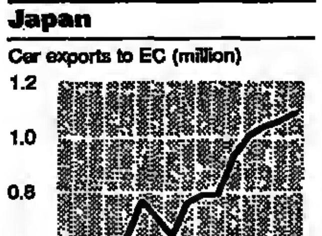
By David Buchan in Brussels

THE European Commission has finally turned to EC governments for their approval of the deal negotiated with Tokyo on future Japanese car imports into the Community.

In a bid to end two years of wrangling over transitional EC limits on Japanese car imports, Mr Gian Luigi Giola, a senior Commission official, briefed EC ambassadors on Monday about the deal and asked for reactions as soon as possible.

The Commission has tried to keep negotiations secret to minimise differences between the Twelve and not to draw attention to import curbs questionable under the rules of the General Agreement on Tariffs and Trade. For these reasons, it is not seeking a formal vote of approval. Nevertheless, Brussels has been publicly criticised by France for being too soft, and by Britain for being too tough, on the Japanese.

Japan



Source: SMMT

The need for an EC-wide policy on Japanese cars imports stems from the planned disappearance, by end-1992, of customs checks within the EC. Five EC states – France, Italy, Spain, Portugal and the UK – will thus no longer be able to maintain separate national restrictions on imports.

The deal's outline now seems to be:

- A limit on Japanese car imports of 1.2-1.3m a year during a transition period from the start of 1993 to end- 1999. This means no further growth until the and of the century in the number of car shipped directly from Japan, (1.25m last year).
- A declaration by the EC recording its "understanding" that the number of Japanese cars made inside the EC, which totalled 260,000 last year, would not rise to more than 1.2m a year by the century's end. Brussels is sticking to its promise to the UK – the main EC centre for Japansse car making – that the sale of EC-made Japanese cars would not be restricted.
- EC and Japanese officials to meet every six months to review the EC car market and whether imports should be adjusted accordingly.

Brazil opens its telecoms sector to US investors

By Victoria Griffith in São Paulo

BRAZIL has opened the way to US investment in its telecommunications sector with the creation of a bilateral telecommunications organisation.

The groop's mandate, according to the Ministry of Infrastructure, is to "accelerate private investments in telecommunications". The move follows a decree signed by President Fernando Collor de Mello last week ending the state monopoly in the sector.

Telecommunications bas long been considered the jewel in the crown among Brazil's public companies and the government hopes US investments in the market will reach $1bn (£594m) next year, more than total foreign investments in Brazil in 1990.

Already, big name telecommunications groups are busy hawking their wares in Brazil. AT&T, together with Sid Informatica of Brazil, has clinched a deal to provide $10m in switching equipment.

Ths Brazilian constitution prohihits the privatisation of public utilities but the government has been getting around that rule by contracting out snpply, installation and operations to domestic and foreign firms. Foreigners will be allowed a 49 per cent share in joint ventures to run the soon-to-be-privatised mobile phone systems. BellSouth, Stet, Motorola, NEC, and IBM have already declared their interest in the mobile phons market.

Gatt farm talks await the politicians

By William Dullforce in Geneva

URUGUAY Round negotiators have made progress in the last two weeks in preparing the ground for crucial political decisions on the reform of world farm trade and the liberalisation of trade in services, trade officials said yesterday.

But, they added, it is now clear that Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), will not attempt to break the deadlock in agriculture by tabling his own proposal until after the summer.

This means the call from Mrs Carla Hills, US Trade Representative, for governments to agree by end-July on the mechanisms to be used to reduce farm subsidies will not be met. It also means a further contraction of the time available to fulfil the declaration by the leaders of the Group of Seven industrial countries at their London summit that the Uruguay Round should be successfully completed by the end of the year.

Mr Dunkel, who now chairs the farm talks, is understood to have returned from a visit to The Hague last week with the impression that the European Community was still not ready to budge on the farm issue. The Netherlands currently bolds the EC presidency.

Reporting yesterday to the group negotiating on agriculture on his informal consultations on the techniques to be used in cutting farm subsidies Mr Dunkel said be saw a widening acceptance that the principle of tariffication should be applied in curbing border protection.

Arthur Dunkel: agriculture proposals delayed

Under tariffication, advocated by the US and the Cairns Group of 14 farm-exporting countries but resisted by the EC and Japan, all border restrictions such as import quotas or the EC's variable levies would be converted into costome duties and tben reduced.

In the domestic farm support area further progress had been made in defining "green box" policies which would be exempt from reduction. A distinction bas been drawn between direct payments to farmers, which do not boost production, and government support for research, development and marketing.

It is agreed that the Aggregate Measnre of Support (AMS), proposed by the EC as a basis for the reductions, should play a role wben cutting domestic supports but, delegates said, there had been strong resistance to the EC's wish to use an AMS in the border protection area as well.

In abating export competition, a generic definition of what constituted an export subsidy together with a list of the practices that would be subject to reduction appears to be emerging as the most pragmatic approach, according to Mr Dunkel.

Bnt differences persist on whether cuts should be made to budget outlays, to export volumes or to a combination of these. Nor is there agreement on a freeze on export subsidies to prevent thsm being extended to new products or markets.

Technical work in Geneva was intended to contribute to political decisions which were urgently needed, Mr Dunkel said. One delegate commented that, while EC officials were participating in discussions, "it is evident that they are determined to put off as long as possible the day on which they will have to get down to the crunch decisions."

In the services talks the outlook is brighter, thanks to a new approach to some countries' insistence on having sectors exempted from Gatt's Most Favoured Nation (MFN) rule whicb states that trade benefits granted to one country must be available to all other countries.

The US wish to exempt shipping and telecommunications has been a central stumbling block to completion of an agreement on services. The US maritime lobby, in particular, is fighting to retain its right under the Navigation Act to have unilateral US sanctions imposed on countries that it considers misbehave over shipping rights.

Now it has been suggested that countries should describe measures they want exempted from the MFN rule in terms of concrete governmental actions and not as measures taken under the provisions of domestic legislation which would not conflict with Gatt rules until implemented.

This formulation could let the US of its hook. Significantly, trade sanctions have never been applied under the US Navigation Act.

Countries, it is proposed, should inform the Gatt secretariat by September 20 of the sxemptions tbsy will eeek under the new formula.

Slovakia to finish dam project

By Ariane Genillard in Bratislava

THE SLOVAK government announced yesterday it would finish building the controversial Gabcikovo-Nagymaros dam on the Danube despite Hungary's demand that tbe ecologically damaging project be abandoned.

Both Hungary and Czechoslovakia had stopped construction on tbe joint project two years ago following pressure from the countries' ecological movements who claim that the underground clear water source and the site's wildlife will be irretrievably lost.

But the Slovak authorities said at a government session yesterday that considerable damage had already been done and that further inaction would only compound financial losses already incurred.

"Finishing it is the only sensible thing left to do given that it is already nearly completed," said Mr Ivan Tirpak, Slovakia's environment minister.

Over 20bn koruna (Czech crowns) (£389m at the commercial rate) has already been spent since construction was started in the late 1970s by the Czechoslovak and Hungarian communist authorities.

Bush confident on China MFN battle

By Nancy Dunne in Washington

PRESIDENT Bush yesterday predicted that he would prevail in the US Senate in a looming veto battle over legislation which would grant China another year of Most Favoured Nation (MFN) trade status but which would also impose heavy conditions on its subsequent renewal.

The Senate entered its second day of debate over legislation, backed mostly by Democrats, which would cut off China's MFN status immediately if it sold ballistic missiles to nations the US considered dangerous. In sddition, China would lose MFN status in a year if it failed to "make reasonable progress" on human rights, improving access for US goods and signing nuclear proliferation agreements.

Similar legislation has already passed the House by a margin strong enough to override a veto.

Early voting indicated that the White House can produce the 34 out of 100 votes needed to sustain the president's veto. An amendment by Senator Jeff Bingaman a New Mexico Democrat, directs the president to work actively with US allies to restrict technology transfers. It passed by a vote of only 55-35.

While congressional Democrats may fail in this attempt to place conditions on China's MFN status, they have succeeded in forcing Mr Bush to reappraise his China policy and to commit himself to being tough on arm sales and trade. The president promised to take strong action if talks next month with the Chinese on market access fail to produce results.

Regarding Taiwan, Mr Bush seemed to reverse administration policy on the country's admittance to the General Agreement on Tariffs and Trade. Instead of waiting for China's prior entry, the president agreed to "work actively with other contracting parties to resolve in a favourshle manner issues relating to Taiwan's Gatt accession." The administration will "seek to have the Chinese government taks steps on trade reform so that China's Gatt application can advance."

The president also promised that if China did not make "real progress" in talks on intellectual property rights, "trade action will follow." Additional action will also be forthcoming on illegal Chinese textile shipments through third countries "if China does not exert effective control."

With the list of presidential concessions in hand, senators have been left to debate the wisdom of pressing China too hard. Senator Max Baucus, chairman of the international trade sub-committee, warned of China's history of "resisting foreign interference" in domestic affairs. "The steps that the administration is now taking with regard to China are long overdue. But they are now being taken," he said.

Senator Lloyd Bentsen, the influential chairman of the Senate finance committee, warned that US actions today would lay a foundation for the future.

China can becoms another Japan, exporting behind a closed market, he said. "We cannot afford to take a hand's off approach."

Future conditional: US trade relations with China, Page 15

S American states agree on harmonisation

By John Barham in Montevideo

THE FOUR member countries of Mercosur, the South American common markst, have decided to work towards common anti-dumping, investment and intellectual property policies and to reduce rapidly non-tariff barriers to regional trade, particularly in fresh food and pharmaceuticals.

However, ths economy ministers from Argentina, Brazil, Paraguay and Uruguay said their informal discussions of broader economic issues at last Saturday's mini-summit in Montevideo were more valuable than the meeting's relatively modest advances in trade liberalisation.

The four countries created the Southern Cone common market in March, pledging to eliminate internal trade obstacles by 1995.

Exchange rates, inflation rates, growth rates and tariff structures, which vary widely at the moment, are supposed to converge by this date.

Conflicts between each country's domestic policies are beginning to emerge, requiring discussion at ministerial level. The Uruguayans, for instance, wanted to know why Argentina subsidises companies under its regional development policy.

Mr Enrique Braga, the Uruguayan minister, said all companies must be put on an equal footing to demonstrate politically that the four are committed to creating a common market that is more than just a mutual lowering of tariffs.

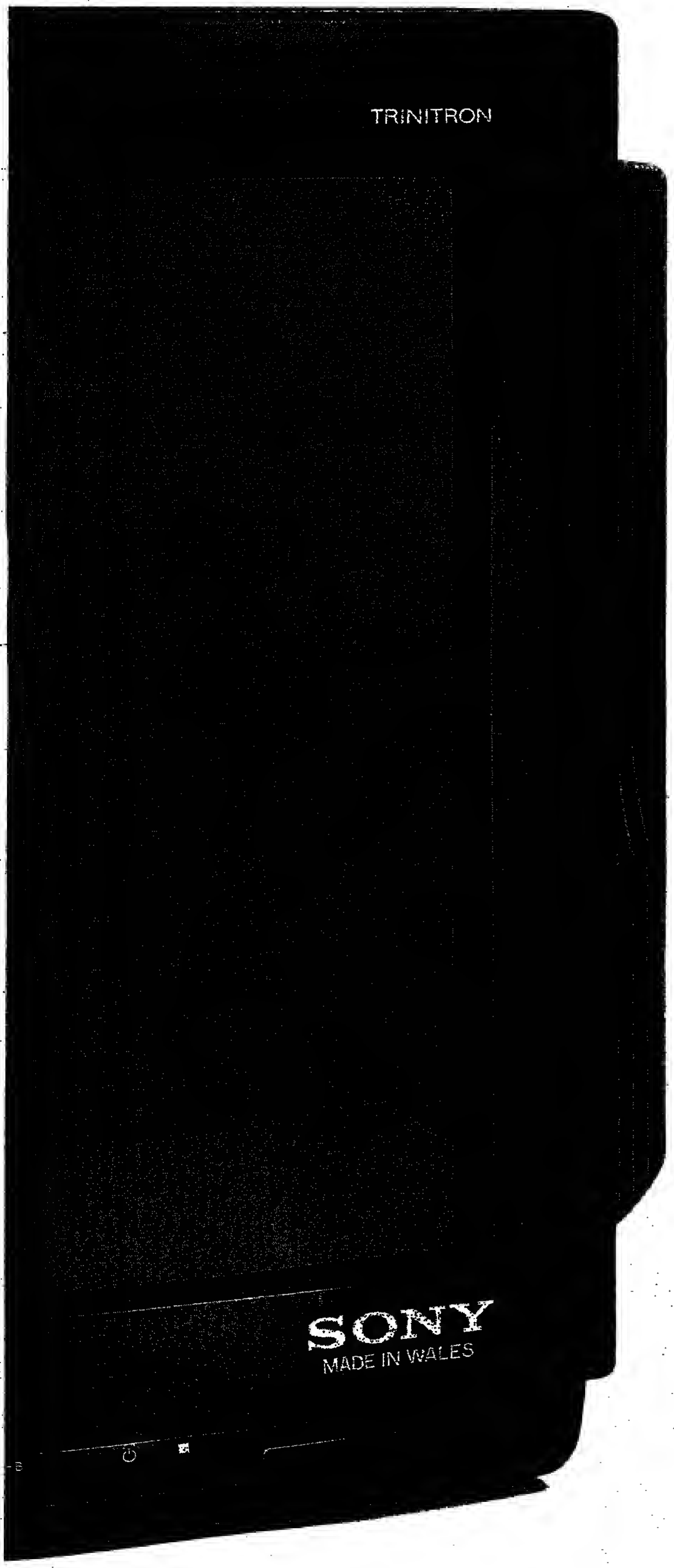
However, the timing and method of implementation of policy reforms is already affecting domestic economic policies. Brazil, by far the region's largest market, still has relatively high tariffs which it is reducing gradually.

Argentina, though, opted for an immediate reduction of its tariffs to an average 9 per cent.

Anti-subsidy and anti-dumping regulations are being handled by technical groups, but because the issue is so delicate it requires treatment by ministers to decide on new policies rapidly.

The ministers also talked about co-ordinating public sector and infrastructure investments, such as interconnecting their electricity and gas networks.

FOR BRIGHTNESS, VOLUME, AND CONTRAST, SONY GOT A BETTER RECEPTION IN WALES.



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THE BCCI SHUTDOWN

Bank received fraud warning in April 1990

By Richard Waters

THE BANK of England was warned about possible fraudulent activities at Bank of Credit and Commerce International as long ago as April 1990, Mr Robin Leigh-Pemberton, the Bank governor, told MPs yesterday.

At a two-hour hearing before the Treasury and Civil Service select committee, Mr Leigh-Pemberton was pressed by MPs from both sides on how it was that the Bank failed to act against BCCI before the international operation by banking regulators to close it down on July 5.

Though he looked uncertain and nervous at the outset, Mr Leigh-Pemberton gained confidence as the hearing progressed.

In an opening statement to MPs, the Bank governor indicated that be had first received indications of possible fraud at BCCI in a report from Price *Waterhouse, the auditors, in* April 1990.

Price Waterhouse, while reporting on large troubled loans made by the BCCI, had added that "certain accounting transactions had been either false or deceitful." The auditors' report had recommended that the bank set up a provision against possible large losses.

At the same time, Mr Swaleh Naqvi, the bank's chief executive, was sidelined within BCCI and it was clear he would play no part in the institution once a reconstruction then under discussion was completed, Mr Leigh-Pemberton said.

A further report from Price Waterhouse in October said "the previous management may have colluded with major customers to mis-state or disguise the underlying purpose of significant transactions," the Bank governor said.

This report had a more dramatic effect on BCCI's management. Mr Naqvi and Mr Agha Hasan Abedi, the bank's founder and president, resigned the day after the report was produced.

Mr Leigh-Pemberton said there had been insufficient evidence to take stronger action against BCCI at that time. The Bank felt it had done enough by forcing the introduction of new management, together *with a recapitalisation* and a planned restructuring.

The governor also dismissed claims that the Bank should have acted on an anonymous letter it received last year from Mr Vivian Ambrose, a former internal auditor of BCCI who also wrote to a senior minister warning of fraud and corruption. The letter contained only a vague warning and did not demand further investigation, he said.

It was also revealed for the first time before the committee that the frand which eventually led to the closure of BCCI involved "representatives of the shareholders", the ruler and government of Abu Dhabi. Mr Leigh-Pemberton said, for diplomatic reasons, he could not go into further detail.

In an affidavit to the High Court in the UK earlier this week, the government of Abu Dhabi said it had not been involved in the fraud, and that the Bank of England, at a meeting in Abn Dhabl last Tuesday, accepted this claim.

Mr Leigh-Pamberton said action had not been taken against BCCI in the UK at an earlier stage in part because the branches were owned by a subsidiary of BCCI incorporated in Luxembourg. It would *have been for regulators* there to take action, if they thought fit, he said. However, commenting on powers contained in the 1987 Banking Act, he said: "We could, if we wanted to, use those powers to close the UK branches."

He told MPs that the Banking Act gave the Bank powers to restrict BCCI's operations if it wanted, for instance, by banning it from taking new deposits. However, this action was not thought necessary, he said.

The UK branches of BCCI emerged from the hearing as among the most stable of any of its operations. "The branches had not operated badly. In fact, there could be an asset surplus," said the governor.

This surplus was protected by a "ring-fence" arrangement, and the most frequent reporting requirements placed on any bank were used to reassure regulators about BCCI's position in the UK.

At one stage, after the bank had been convicted of laundering drug money in the US in 1989, BCCI had to provide the Bank of England with a daily balance sheet, although this was later reduced to a weekly one. "It couldn't be said that the international operations were, so to speak, milking the UK branches," Mr Leigh-Pemberton said.

In spite of this, he held out little hope of the bank being resuscitated in the UK, or of UK depositors benefiting from the strong UK position. It is "just conceivable" that, with new capital and new management, the UK operations could be reopened, but Mr Leigh-Pemberton offered little hope for this outcome.

Gokal 'fronted' in attempt to buy US bank

By Alan Friedman in New York

THE Pakistani shipping family identified as the principal bad debtor which cootributed to the downfall of BCCI tried and failed in 1976 to buy a New York bank because US regulators considered it a "front" for BCCI and were worried that the bank was *inadequately regulated.*

Mr John Heimann, a senior executive at Merrill Lynch who was the superintendeot of the New York state banking department at the time, said he was visited by a Mr Gokal, a Pakistani shipper who was acting as an "intermediary" on behalf of BCCI.

According to extracts from a Price Waterhouse report delivered to the Bank of England at the end of June "the principal bad debtor was Gulf Group," a shipping business run by Mr Mustafa Gokal and his brothers.

The New York state banking commission confirmed last night that the 1976 attempt to buy the New York bank came from Mr Abbas Gokal, a brother of Mustafa, who runs a number of Gulf Group companies from Switzerland.

The Gokal brothers were among the largest beneficiaries of BCCI loans.

Mr Heimann, who went on to serve between 1977 and 1981 as US comptroller of the currency, said Mr Gokal's application to buy the Chelsea National Bank, a small New York-based bank, was turned down.

The reasons were that the bank was not supervised by any single primary regulator and because "it was clear to the New York State Banking Department that Mr Gokal was a representative for, or a front, for BCCI."

"It was a Mr Gokal who cama to see me. He was in the shipping business and did not claim to have any banking experience. He said he would be relying on BCCI for advice and counsel," Mr Heimann said in an interview.

Mr Heimann recalls being troubled that BCCI was outside the normal bank supervisory network.

"My own view was to wonder why they didn't have a primary regulator. They might well have something to hide. Merely the fact that they didn't have a primary regulator set off alarm bells."

Mr Heimann said that even in 1976 BCCI "was a bank seemingly shrouded in mystery."

While tbe rejection of Mr Gokal's application to buy Chelsea National was on formal regulatory grounds, the former New York bank supervisor says that there were market rumours circulating to the effect that "BCCI's operations were dicey, that it did strange things."

In retrospect, Mr Heimann said the disclosure that the Gokal company was BCCI's main bad debtor confirms his opinion he was a representative and that "wa were right not to permit the purchase."

Shipping line that hit rocks

Richard Tomkins reports on the rise and fall of the Gokal brothers

The story of the Gokal brothers' shipping empire is a rags-to-riches story that seems to have turned full circle.

For a time during the 1970s and 1980s, the three brothers were one of the world shipping industry's most potent forces, owning nearly 100 vessels of their own and chartering more ships in one year than India and China combined.

Now, the brothers' holding company – Gulf International Holdings – is in administrative receivership in Luxemhourg, harely 12 vessels remain, and the group's debts are known to hava been on such a scale as to have played a significant role in triggering BCCI's collapse.

The seeds of the Gokal brothers' risa to prominence were sown 30 years ago when they moved from their native Pakistan to set up a trading company to Iraq.

For a while, the business flourished. But the revolotion which put Saddam Hussein in power brought persecution for wealthy foreign merchants. Their elder brotber was hanged and the three survivors – Mustafa, Abbas and Murtaza – fled to Europe. Initially they carried on their general trading *activities*. But on the back of two vessels which they had been using to transport their own cargoes, they made their move into shipping with the launch of Gulf Shipping Lines in 1969.

The business sounded unglamorous. It was essentially a tramp shipping operation, transporting dry bulk cargoes such as grain, cement, fertilisers, sugar, timber prodncts, coal, and ores such as iron and manganese.

But by adopting an aggressively entrepreneurial stance and specialising in parts of the world which other companies were not so interested in – Bangladesh, India and Pakistan, for example – the business prospered.

By 1975 the brothers were controlling a fleet of at least 240 vessels, 97 of them owned ontright and the remainder chartered. They were making their mark on the shipping industry and were beginning, albeit grudgingly, to be accepted in it.

But former employees tell how the *Gokals then started* using the shipping operations as the basis for diversification into a range of other activities including hotels, property and mining.

"They were into everything they could lay their hands on," says one.

"At ooe stage they had cornered the market for tinned mushrooms in South Korea and tubed garlic paste in Australia, while in Britain thay were selling basmati rice out of the back of ice cream vans in Southall."

Former employees say that, although an expensive mistake was made in the late 1970s when the Gokals ordered four new vessels from a Brazilian shipyard at the top of the market, the shipping side of the business was generally run well.

What led to the group's decline, they say, was the use of the funds generated by shipping to finance other activities – most damagingly, they claim, the brothers' diversification into futures trading in tbe commodities and foreign exchange markets. Ooe employee claims the group was almost brought to its knees in 1979 when it incurred substantial losses on oil and gold trading and failed in an attempt to recover them in the money markets.

"Then one day Abbas Gokal went away for the weekend and came back on Monday morning with a massive new injection of finance," the employee says. "It's for you to speculate where it came from."

News of the Gokals' links with BCCI has come as no surprise to those who knew the company. "Most people knew they had associations with BCCI going back many years and at one stage they were regarded as having some sort of shareholding in the bank," says an ex-employee.

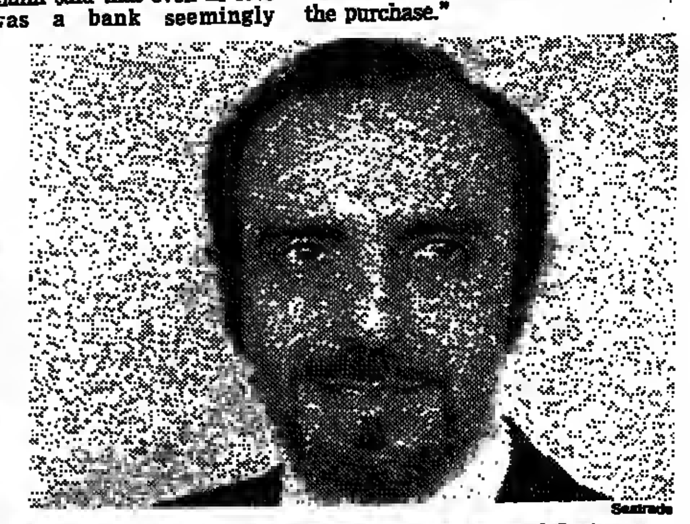
"They were a very big name in Pakistan and BCCI was founded by a Pakistani, so it would have been more surprising if they were not associated."

Employees speak with respect, even affection, of the Gokals. They say that, although sometimes criticised in shipping circles for their penny-pinching business approach, they are quiet, polite and honourable men.

Mr Mustafa Gokal, tha elder of the brothers, is a devout Moslem who was once a personal adviser to the late president Zia ul-Haq of Pakistan.

Untangling the avents which led to the group's indebtedness to BCCI is likely to present investigators with some difficulties. The Gokal group comprised at least 50 companies with offices in London, Geneva, Honk Kong, Karachi and Toronto, and most of the debt is believed to be hidden in a complicated web of transactions within the operations of BCCI (Overseas) in Grand Cayman.

The Gokals were said hy their Geneva and London offices yesterday to be out of the country and out of contact.



Seatrade

Mustafa Gokal: an aggressively entrepreneurial stance

PARLIAMENT

Kinnock accuses PM of negligence

By Ivo Dawnay, *Political Correspondent*

THE POLITICAL temperature at Westminster rose markedly yesterday with the most ferocious clashes yet between the prime minister and Mr Neil Kinnock, the Labour leader, over the BCCI affair.

Amid scenes of uproar on the backbenches, Mr Kinnock used question time to claim that Mr John Major knew about "grave irregularities" st *the bank in early 1990* and to accuse him of being "utterly negligent" in his handling of the case.

Mr Kinnock asked: "Wasn't your failure to act on the knowledge you had a complete dereliction of duty?"

A furions Mr Major responded that the Labour leader was condocting "opposition by smear" in his attacks. "If you are saying I am a liar, you better say so bluntly," be added.

The exchanges appeared to be at least partially at cross purposes. Mr Kinnock, quoting Hansard, was attempting to pin the prime minister to his (Mr Kinnock's) claim that Mr Major had been aware in early 1990 of widespread irregularities.

Mr Major would only concede that "the first I knew of serious banking irregularities was on June 28, last month".

There *seems* little doubt from the testimony of Mr Robin Leigh-Pemberton, governor of the Bank of England, to the Treasury and Civil Service committee yesterday, that the prima minister would agree that he knew when he was chancellor about the early 1990 Florida drug-money laundering case involving BCCI.

The governor also said hs had spoken with Mr Major about the BCCI restructuring plan of April 1990 and of other aspects of the bank on other occasions.

He said: "All chancellors I have served have been aware that it [BCCI] might cause us difficulties and I have assured them *I would keep them* informed about irregularities that might cause difficulties or embarrassment."

Mr Leigh-Pemberton nevertheless insisted that evidence of a frand big enough to necessitate closure of the bank only emerged last month. It was then that be told the prime minister and the chancellor of his decision to act.

"Up till then no evidence of a fraud that justified revocation (of BCCI'a banking licence) had been found," he told the committee. Up until June 28, he said neither Mr Major nor Mr Norman Lamont, the current chancellor, had seen the earlier Price Waterhouse reports of Octoher and April 1990 that pointed to serious problems.

Under questioning from Mr Nlcholas Bndgen MP, he stressed that the decision to close the bank lay with him, under the authority of the banking acts.

Mr Leigh-Pemberton's evidence appears to corroborate the implied responses of Mr Major and Mr Norman Lamoot, tbe current chancellor, that they knew nothing of the huge frand unravelled in Price Waterhouse's June 1991 report.

BCCI staff meet outside the Bank of England yesterday, led by Qaiser Malik, centre

Staff to petition High Court

By Khozem Merchant

BCCI staff representatives are to *present petitions to* the High Court and the bank's majority sbareholders in Abu Dhabi supporting tbe case for a restructuring of the bank.

Mr Qaiser Malik, head of BCCI's ad hoc staff committee, said yesterday that he would press ahead with "getting a rescue package in place."

The committee bas been encouraged by tbe High Court's move on Monday to protect the interests of thousands of small BCCI depositors and employees.

"We want our bank and jobs back; and we want to convince the courts that a restructuring is possible," Mr *Malik* said. He was speaking after talks with Tonche Ross, BCCI's provisional liquidators, whicb be described as satisfactory.

He said the provisional liquidators confirmed that salaries for the rest of July would be paid, including any June overtime payments. Tonche Ross had given an assurance that tbe pension fund was sound and an independent trustee had been appointed.

BCCI staff with private health policies with the bank were no longer covered, he said.

Talks witb the provisional liquidators also covered the possibility of transferring BCCI mortgages to other lenders and introducing a one-year moratorium on payments, Mr Malik said.

PARIS

Offshoot placed under scrutiny

THE Paris commercial court yesterday decided to place BCCI-France under observation for six months. At the end of this six-month period, it will choose between winding up the business, running it nnder court administration, or accepting any eventual candidates to take it over.

This "observation period", however, does not mean that BCCI's French branches, which were closed by France's banking commission at the beginning of the month, will reopen.

BCCI-France had around FFr360m (£35.8m) of deposits when it closed, with some 2,000 clients. The court named Mrs Carasset-Marillier as representative of the creditors.

Tha Bank of France took action against BCCI in France as early as January, because of doubts about its level of reserves and its operations in general, Mr Philippe Lagayette, the deputy governor of the central bank, said yesterday.

In an interview with the husiness daily, Agefi, he said that the central bank also stopped BCCI borrowing on the interbank market in January, and sent in an inspector to see it was obeyed.

"It is rare that we go so far as to forbid the development of a bank but, in this case, we felt that the level of provisions and of shareholders' funds were insufficient, and we found that the functioning of this bank was open to criticism," Mr Lagayette added.

Separately, Mr Pierre Bérégovoy, the finance minister, said the BCCI episode showed the need for closer supervision in some countries of banks with international networks.

"It is indispensable for financial centres sucb as London and Luxembourg to tighten their control procedures," he said. Mr Bérégovoy said French regulators had done their job and had kept BCCI under close scrutiny since discovering a case of money laundering in 1988.

SRI LANKA: A Sri Lankan bank will probably take over the running of the Colombo branch of BCCI, a government official said.

Mr R. Paskaralingam, secretary to the Ministry of Finance, said the decision was taken because BCCI's registered head offices in the Cayman Islands and Luxembourg had failed to respond to queries from Colombo.

The government was taking a risk by taking over the bank because the legal position was not clear, he added.

TURKEY: BCCI's *banking* permit has been cancelled. "The permit under which BCCI A.S. conducts banking activities and receives deposits has been *abrogated*," a cabinet decree published in Saturday's Official Gazette said.

BCCI, active in Turkey for 11 years, has branches in Istanbul, Izmir and Mersin.

CANADA

Branch managers anxious to oversee operations

SENIOR managers of Bank of Credit and Commerce Canada (BCCC) have asked the authorities in Ottawa to appoint the bank's present staff as the government's agents to the future operations or winding down of the bank, Bernard Simon writes in Toronto.

Mr Omar Khan, the bank's general manager, met Mr John McDermid, minister of state for finance, late last week to discuss the proposal.

Mr Khan said the staff knew more abont the bank's operations than anyone else and sbould therefore have a hand in whatever was decided.

The superintendent of financial institutions has appointed Arthur Andersen, the accountancy firm, as his agent to oversee the bank's affairs until a decision is taken on a winding-up order.

BCCC has four branches with assets of about C$280m (£142m). More than half its deposits of C$114m were in foreign currency. Mnch of its business was trade finance. A C$21.4m loss in the six months to April 30 was the largest suffered by any of the 55 foreign-owned banks in Canada.

Although BCCC is not yet in liquidation, tha Canada Deposit Insurance Corporation, which insures Canadian dollar deposits up to C$60,000, has started paying out some of the bank's depositors on compassionate grounds.

INTERNATIONAL ASSETS

Third of group not under control of receivers

By Richard Waters

UP TO a third of the BCCI group has yet to be brought under the control of receivers, prompting concerns that assets which should be used for the benefit of all its depositors could leak from the group.

The Luxembourg and Cayman Islands-based operating arms, representing about $16bn (£9.5bn) of the group's $23.5bn of assets, are under the control of receivers from Deloitte Ross Tohmatsu (DRT), whose UK affiliate is Touche Ross.

However, the receivers have yet to gain control of BCCI Holdings (Luxembourg) SA, the group holding company, *which directly controls other* parts of the banking group.

Negotiations are already under way to sell parts of the group.

In all, companies in countries operating through 250 offices remain outside the control of DRT. Soma, such as those in Oman, are less than 50 per cent owned by BCCI.

Partners from DRT have been appointed receivers of BCCI SA, the Luxembourg-based banking company, which accounts for $9bn of the group's assets, and BCCI (Overseas) in the Cayman Islands, with $7bn of assets.

Three Touche Ross partners have also been appointed provisional liquidators of BCCI SA's branches in the UK.

No appointment has yet to be made to the Luxembourg-based holding company – even though Mr Brian Smouha, a Touche Ross partner, was confident 11 days *ago* that an appointment was imminent. He is already *commissaire de surveillance* (receiver) of BCCI SA.

Mr Smouha has been asked to report to the Luxembourg court by August 1 on the financial position of ths holding company, and Touchs said earlier this week that it was "very likely" the court would appoint a commissioner (receiver).

The delay means that the receivers are unable to control the *disposal of parts of* the group.

Until they have established whether assets flowed between different operating arms of BCCI, it will be impossible to say whether depositors in one country have an interest in assets in another country.

JAPAN

Assets are frozen and liquidator appointed

THE TOKYO District Court yesterday appointed a liquidator for the Tokyo branch of BCCI after the Ministry of *Finance concluded* that the branch could not be allowed to re-open, writes Steven Butler in Tokyo. The branch had been closed voluntarily since July 8.

The ministry had wished to find a way to keep the branch operation viable but bad decided to move towards liquidation when it became clear this was impossible.

The ministry said thet the slow response of the government to tbe international action against BCCI stemmed from its inability under Japanese law to freeze the bank's assets without simultaneously moving towards liquidation.

Yesterday the ministry notified the district court that the branch had been closed down and that there was a *possibility* that its debts exceeded its assets.

The assets of the branch were Y89.2bn (£398.21m) at the end of March, including Y13.6bn in loan guarantees. The oet assets would be further reduced by deposits offsetting loan balances.

However, the ministry refused to give details of the current financial condition of the bank, including the size of any shortfall in the bank's assets.

It said it had used "administrative guidance" to prevent capital flight, and that it believed its efforts had succeeded.

Nevertheless, it was necessary to appoint the liquidator and freeze the assets in order to prevent any possibility of capital flight and to stop individual depositors from taking civil action to recover funds at the expense of other depositors.

The ministry's decision was based on information *provided* by other regulatory agencies, including the Bank of England and the Luxembourg monetary authorities, as well as its own investigation into the branch.

The dismissal of branch employees on Friday, as well as the pending court action of individual dep*ositors, also con*tribnted to the decision to move toward liquidation.

The liquidator is Mr Ichiro Kugisawa of the Tokyo Fuji Law Office.

ASIAN BUSINESSES

Anger over Pakistani executives and role of Bank

By Khozem Merchant

ASIAN businessmen's anger appears to be evenly directed at the Bank of England and BCCI's largely Pakistani executives whose alleged frand led to the bank's closure.

Many favour bringing the senior BCCI executives to book.

Bitterness over the UK central bank's role extends to the judgment of Mr Robin Leigh-Pemberton, its governor.

"The inquiry is a very welcome consequence of the pressure that was mounted," said Mr Amrik Sahota, chairman of the Institute of Asian Businesses (IAB), which represents some 400 West Midlands enterprises, manywith a turnover of up to £25m.

Mr Sahota, who led a delegation to the Bank of England last Friday, said: "This affair has reflected badly on all parties. There is much confusion over the way the Bank acted, the timing, the information the Bank had and how it used it; whether the Bank exhausted all avenues for getting more funding from the Abu Dhabi owners; and, if these people were prepared to inject more money into BCCI, was the Bank right in shutting down BCCI.

"And if, as it appears, Asian bankers have done wrong, then that too should come out."

Mr Mohammed Riaz, Conservative parliamentary candidate for Bradford North, who also separately presented Asian grievances to Mr Leigh-Pemberton, says the inquiry should also determine whether the government was involved in a cover-up.

One of Britain's biggest food wholesalers, Mr Yaqnb *Ali*, whose Glasgow-based Castle group had a turnover of £99m in 1989-90, is damning of the Bank of England's role.

"It should have taken action earlier," he said, adding that if fraud was found those responsible should be prosecuted.

Mr Zarosh Zaiwalla, of the London solicitors Zaiwalla, which is representing BCCI depositors with some £24m locked in the bank, says the inquiry should *be given* the widest possible terms of reference. "There should be no whitewasb; and the guilty should be punished."

UK NEWS

Sellafield chosen as site for nuclear waste repository

By David Fishlock and Chris Tigha

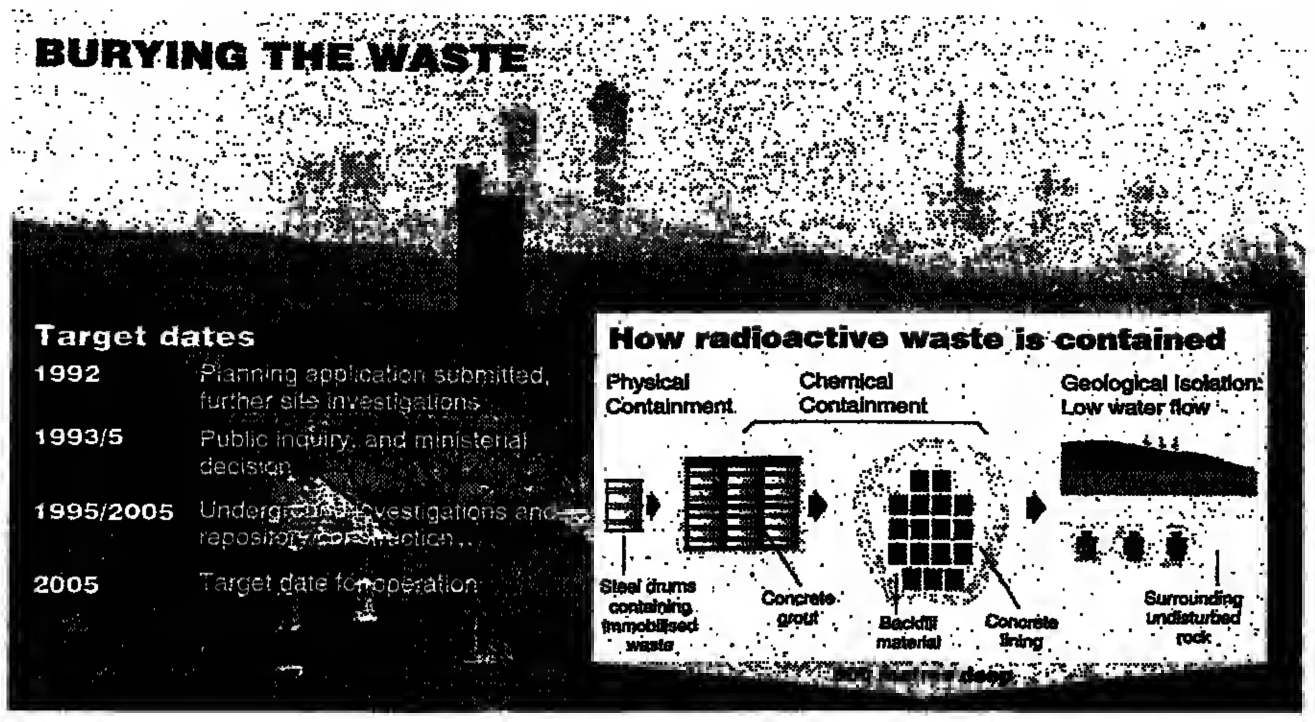
UK NIREX, the nuclear waste consortium, has identified Sellafield in Cumbria, north west England, as the preferred site for the country's first nuclear repository of radioactive wastes.

The choice, which followed a £50m investigation of two possible locations, was announced by Dr Dick Morris, chairman of the consortium. He said Nirex would set np a subsidiary in west Cumbria to manage the project. The consortium is owned by the four state owned nuclear companies.

Indications that the repository will be built not within the Sellafield site hut outside its present perimeter hava alarmed local communities.

The opposition, the latest the nuclear industry has encountered in the region, arises from concern abont the environment and safety, as well as fears of falling property prices.

Nirex estimates the lifetime cost of excavating a repository about 500 metres underground, and operating it with a staff of up to 400 for 50 years at £2.5bn-£3.5bn.



Transport costs were a major factor in choosing Sellafield instead of Dounreay in Scotland. About 60 per cent of the wastes would arise from the nearby Sellafield factory of British Nuclear Fuels, Dr Morris said. But Dounreay would remain an option should unforeseen problems arrive at Sellafield.

Nirex planned to spend another year refining its design for the repository and preparing an environmental impact assesament so as to make a planning application late next year. The government has already said a pnblic inquiry would follow.

The repository will consist of long, concrete-lined caverns which can be filled with drums of radioactive wastes sealed in cement. The caverns will be excavated throughont the working life of the repository, at a rate that depends on how fast wastes are produced.

Nirex has asaumed that wastes in need of disposal by the year 2055 could range from 700,000 cubic metres to 2m cubic metres.

Dr Morris stressed that the repository would not be used for highly-radioactive, heat-emitting waste from reprocessing nuclear fuel. This would be vitrified and remain in surface storage at the Sellafield factory for at least 50 years, until cool – a decision on what happens then has not yet been made.

The repository is to house what is known as intermediate-level waste, which ranges from trash contaminated with traces of plutonium to wastes from nnclear reactors, including faulty reactor parts, metal cladding from fuel, filters and aludges from reactor operations.

Including the defence sector, it adds up to about 5,000 cubic metres a year. Nirex contrasts this figure with the 5m tonnes of toxic chamical wastes Britain generates annually.

Dr Gregg Bntler, BNFL director responsible for the Sellafield factory, said that, effectively, no imported nnclear waste would be stored in the repository, even from overseas reprocessing, for the contracts required an equivalent amount of radioactivity to be returned to the customer.

Abont one-third of the wastes would come from tha defence sector, mainly from the Atomic Weapons Establishment at Aldermaston and nuclear submarine bases.

The US nuclear weapon indnstry, rnn by the US Department of Energy, is showing considerable interest in British technology for packaging and storing wastes.

BNFL already has ona US contract worth several million pounds bnt believes it could recover much more of its £3.5bn investment at Sellafield during the 1980s with substantial exports of technology to the US.

Sweden first with burial of N-waste

SEVERAL European nations, including Swedan, France, Germany, Switzerland, Finland have accepted that underground burial is the way to dispose of radioactive wastes from nuclear power and weapons programmes.

Sweden leads, with a repository for low-level and intermediate-level wastes it originally commissioned in 1989.

Last year the Swedish Final Repository (SFR) at Forsmark, close to a nnclear station abont 100 miles nortb of Stockholm, played host to about 18,000 visitors who were enjoying Sweden's latest tourist attraction.

Behind SFR's fence, the road spirals steeply before plunging into a tunnel which travels for about 1km under the Baltic Sea, where the nuclear engineers bava excavated their caverns beneath 50 metres of the granite seabed.

The visitor soon learns that "dumping" is a most inappropriate word for the way this repository operates, and that "banking" is a better word to describe the process.

Each pre-packed parcel of waste, arriving by the nuclear industry's own ship, is sourced, certificated, logged in the computer, and accommodated according to its radioactive composition within the repository.

Nirex to drill boreholes in local strata

FIVE miles of boreholes have already been drilled into the rock identified as a potential subterranean shroud for radioactive wastes at Sellafield and Dounreay.

More miles will be drilled at Sellafield over the next year – five more horeholes are planned in the course of refining the design of Nirex's first repository.

The aim is to construct a detailed 3-D picture of the relatively unflawed body of rock, around 500 metres deep.

Already the rock is known to be "far stronger than we thought, far more competent", aays Mr Tom McInerney, Nirex's managing director. Nirex hopes to show that any watar filtering through the repository will take at least 10,000 years to find its way back to man's environment. The radwastes themselves will be isolated from this water by several impermeable barriers, as illustrated in the graphic.

Mr McInerney says he is confident Nirex could make a nuclear safety case for either Sellafield or Dounreay, but the extra cost of transporting radwastes to Caithness has weighed in favour of Sellafield.

Mr McInerney estimates it will cost his nuclear consortium some tens of millions of pounds more to ready its design for a public inquiry.

BRITAIN IN BRIEF

Nissan UK takes action in courts

Nissan UK has been given permission in the Court of Appeal to submit fresh evidence in what it described as a "life or death" struggle to prevent Japanese car maker Nissan Motor setting np its own UK distribution network at the end of this year.

Mr Anthony Grabiner QC, for Nissan UK (NUK), called for the car importer/distributor, controlled by Mr Octav Botnar, to be granted five years in which to find an alternative franchise to Nissan. NUK has been the exclusive importer/distributor of Nissan cars for 20 years. Its associate company, AFG Holdings, owns a network of more than 180 dealerhips dependent on Nissan sales. The appeal is contested and expected to last at least five days.

Decline in sales of unit trusts

Sales of unit trusts fell in the three months to the end of June, the Unit Trust Association has revealed. Gross sales were £2.5bn, down from £3.19bn, and net new investment was £427m, down from £1.247bn.

Mr Philip Warland, director general of the UTA, said the drop in gross sales could probably be explained by the heavy buying by big investment institutions in the first quarter.

Council tax bills may rise

A new band covering properties worth more than £320,000 is to be added to the government's proposed council tax, pushing up the prospective bills for many households in London and the south-east.

Mr Michael Heseltine, environment secretary, told the House of Commons that the government had decided to respond to intense pressure over recent months to raise the previous threshold of £160,000 for the highest bills.

Competitors gain gas sales

Fifteen per cent of new gas sold in the UK industrial market in the past year has come from companies competing with British Gas, the government has announced.

This is more than double the amount sold by competitors between June 1989 and May last year when 7 per cent of gas was sold by companies other than British Gas. Tha government set a target 2 years' ago that 10 per cent of gas coming from new fields should be sold to the market by competitors in the hope that it would encourage more competition in gas supply.

Brewers to meet ministers

Britain's major brewers have been invited to a series of meetings with Mr Peter Lilley, trade and industry secretary, and Mr John Redwood, consumer affairs minister, to discuss the effects of their pub disposal programme on pub tenants.

More than 6,000 pub tenants have been given notice of termination of their tenancies as the brewers prepare to sell or lease pubs to meet the requirements of the government's orders to end exclusive beer supplies to large parts of their pub estates.

BA protests on slots rejected

Mr Malcolm Rifkind, transport secretary, has rejected protests from British Airways over its surrender of some take-off and landing "slots" on its London to Tokyo route to Virgin Atlantic Airways.

He told an American Chamber of Commerce lunch in London: "References to 'confiscation of slots' are entirely unfounded. No airline has a legal right to a landing or take-off slot. Rather, airlines have permission and this must be subject to the public interest."

Rise in short holidays

English holidaymakers are taking shorter but more frequent holidays in England, according to English Tourist Board figures. Short-break holidays, day trips, and visits to friends and relatives were all up in popularity, although the traditional two-week holiday is still the main type of break for the English.

School, work gap narrowed

Significant progress has been made in bridging the gap between school and work as a result of the Technical and Vocational Education Initiative, Her Majesty's Inspectorate has said.

TVEI, the government's scheme to give a practical edge to school study, has been running for seven years. More than 4,000 schools and colleges, with 850,000 14-18 year-old students, are participating. This year'a budget is £134m.

Women in law still lag behind

Women solicitors have still not made the breakthrough into senior positions in solicitors' firms despite the continued rise in the number of women joining the profession.

Women now make up more than 50 per cent of uewly qualified solicitors and account for almost half the 20,000 assistant solicitors in England and Wales. But only 10 per cent of them are partners according to Law Society research.

New ticket to ride for buses

London's open-platform double-decker buses are to be given a new lease of life to run into tha next century. The Routemaster huses, many around 30 years old, are to be refurbished at a cost of £20,000 each, London Buses has said.

UK NEWS

End of Cold War brings cuts to army

By Paul Abrahams and James Buxton

SWATHING cuts in the British army were revealed yesterday by Mr Tom King, defence secretary. In spite of intense lobbying, Mr King announced that the army's infantry battalions will be slashed from 55 to 38 by 1997.

The announcement came as Mr King disclosed the new structure of the British army to the House of Commons. The number of troops will fall by more than 40,000 to about 116,000. Infantry and cavalry regiments dating back centuries will disappear.

The deep cuts represent the government's response to the end of the cold war. Mr King said the aim of the review was to sustain strong defence, but to achieve it with smaller but better equipped forces that would be more flexible and mobile.

The cutback to 38 battalions is two less than feared by senior British officers. However, some army officers had claimed before the announcement that it would be impossible for the army to meet its commitments without 41 battalions. Mr King said that with Royal Marine Commandos 41 infantry battalions would be available.

The army's 50 British infantry battalions and five Gurkha battalions will be reduced to 46 and four respectively by the end of 1992 and progressively until 1997 when there will be 38 battalions of which two will Gurkha. By the mid-1990s, the 11 armoured and armoured reconnaissance regiments will have been reduced from 19.

In Scotland, the two Highland regiments, the Queens Own Highlanders and Gordon Highlanders, and two Lowland units, the King's Own Scottish Borderers and the Royal Scots, are to be amalgamated.

Elsewhere, the Queen's Regiment will amalgamata with The Hampshire Regiment; the Cheshire Regiment will merge with The Staffordshire Regiment; and The Gloucestershire Regiment will combine with The Duke of Edinburgh's Royal Regiment. A number of regiments will also lose a battalion.

As for cavalry, The Life Guards and The Blues and Royals, so loved by tourists visiting central London, will be fused in a single regiment, but will retain their separate identities.

The six regiments of Hussars will merge to form three regiments; the two regiments of Lancers will also combine, while the four Royal Tank Regiments will amalgamate to form two regiments.

Meanwhile, the Territorial Army will ba reduced to between 60,000 and 65,000 from 70,000. However, no final decision has been made about its future role, organisation and size.

Support units are also to be re-organised, said Mr King. Two new Corps based on service support and equipment support are to be created, he explained. The service support corps will include the Royal Corps of Transport, the Royal Army Ordnance Corps, the Royal Pioneer Corps and the Army Catering Corps. The second new corps will be mainly based on the Royal Electrical and Mechanical Engineers.

A substantial reduction in the 38,000 civilians employed by the army in the UK was also disclosed by Mr King.

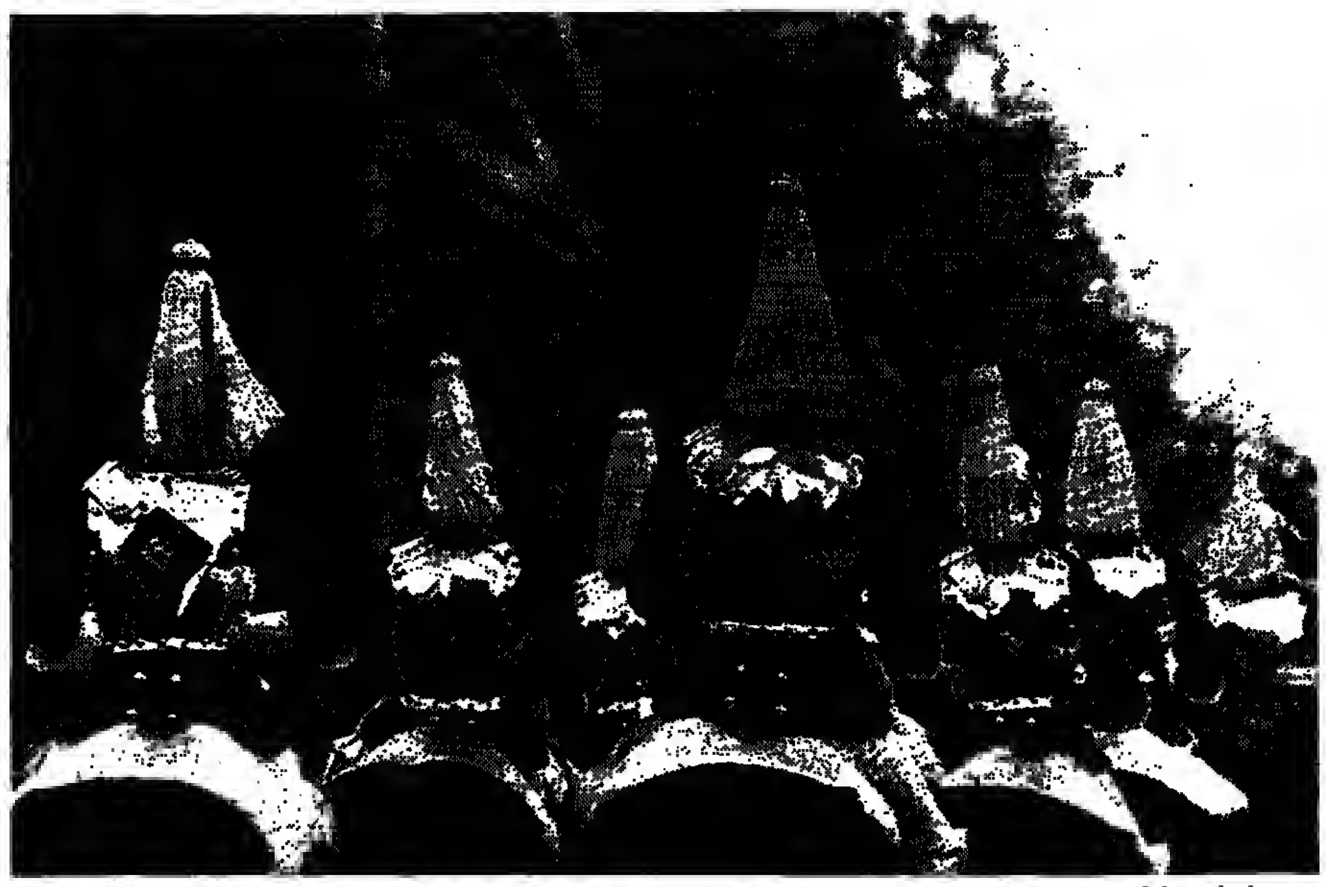
Mr King said that factors considered in arriving at these decisions included past and present manning patterns, future recruitment projections, previous amalgamations, the need to retain appropriate geographical representation of units throughout the country and emerging accommodation, deployment and equipment plans.

A substantial redundancy programme among officers and NCOs will be required to ensure the reduced level of forces, admitted Mr King.

He said that while most reductions would be achieved through natural wastage and voluntary redundancy, some compulsory redundancies were inevitable. The first tranche of redundancies will be in 1992-3.

There was disappointment and anger in army circles in Scotland that four of the seven Scottish regiments are to be amalgamated.

The Scottish regiments had refused to propose their own amalgamations to the Ministry of Defence, arguing that Scotland was a better recruiting ground than other parts of Britain, and that the effect of unemployment would be felt more strongly. But this appears to have cut little ice with the Army board.



Riding into history: the Life Guards, a familiar sight in London, are to merge with the Blues and Royals in one cavalry regiment. But the government said they will retain their separate identities within the new structure

Minister denies Irish merger prompted by Dublin

THE MERGER of the Ulster Defence Regiment with the Royal Irish Rangers was purely an army decision and not the result of pressure from the Irish Republic, Mr Tom King, defence secretary, said yesterday writes Ralph Atkins.

He met a predictable storm of protest from Northern Ireland's Democratic Unionist Party when he announced the decision in the Commons.

Mr Ken Maginnis, the Ulster Unionists' security spokesman, however, gave him a warmer reception. "It will be with pride that members of the UDR will take their place in a Royal regiment," Mr Maginnis said.

The 6,300-strong UDR, the biggest and youngest in the army, was founded in 1970 to replace the wholly Protestant "B-specials".

Dublin has expressed concern about tba antagonism the UDR, which is 96 per cent Protestant, creates in nationalist communities.

A merger with the Royal Irish Rangers, which recruits from both north and south Ireland, will allow UDR members to serve outside the province and possibly overcome some nationalist hostility.

Mr King said there would continue to be a "very significant" part-time element in what is expected be called the "Royal Irish Regiment".

Army chiefs believe longer warning times in Europe allow greater flexibility over commitments in Northern Ireland. The Royal Marines, in particular, are expected to be used more frequently.

In the Commons, the Rev Ian Paisley, DUP leader, said there was a "deep outrage and concern" in the province at the decision.

The Dublin government had waged a "vicious campaign" against the regiment, he said. Mr King replied that interested parties had been informed only "at the proper time".

BT strikes deal with Oftel on competition

By Hugo Dixon

BT will not be referred to the Monopolies and Mergers Commission, the UK regulatory body, following a deal on how the telecommunications market should be opened up to competition with Oftel, the industry's watchdog.

The details of the deal, which is described as an extremely complex package, are expected to be announced today.

They will be scrutinised to see whether BT or Oftel, both of which have taken entrenched positions in recent weeks, have in fact climbed down. The agreement will free the government to proceed with plans to privatise all or part of its remaining stake in BT later this year.

It will also allow the government's new, more competitive telecommunications policy to be implemented, including a 10 per cent cut in international call charges.

The deal is surprising given a tough statement by Mr Iain Vallance, BT's chairman, to the company's annual general meeting last week that he would prefer to go to the MMC than accept Oftel's plan.

Oftel had previously gone back on an earlier deal with the company that would have allowed it to charge competitors special access fees for using its local network.

BT appears to have decided it had more to lose than gain from an MMC referral. The two sides have been locked in negotiations since last week, culminating in a deal which was put to BT's board for approval.

BT had originally hoped to be allowed to increase its quarterly rental charges sharply in exchange for agreeing to Oftel's about turn on access fees. But the new deal is understood not to give the company much leeway in this regard.

The new deal is understood to differ from Oftel's previous proposals without amounting to a substantial concession to BT. "The cards have been thrown up and have landed in a different way," said one person who had seen the details.

The deal is understood to be an interim arrangement. BT's prices are to be investigated again by Oftel next year.

Treasury likely to overshoot spending targets

By Philip Stephens, Political Editor

A RISE of £1.1bn in the Treasury's grant to local authorities yesterday set the stage for a large overshoot in the government's spending and borrowing limits.

After cabinet discussion about the economic outlook, ministers said the Treasury was now certain to break through both its £205bn spending target for this year and the £221bn pencilled in for 1992-93. Public borrowing, forecast at £8bn and £12bn respectively, is also set to overshoot.

Mr Michael Heseltine, the environment secretary, said the extra local authority grant and a tight "cap" on council spending would mean that next April's community charge (per capita tax for local services) – the last before abolition – should rise only slightly.

The figures, however, were hotly disputed by local authorities and opposition parties. They claimed that grant increases fell far short of the amount needed to prevent either sharp cuts in services or large rises in individual bills.

Mr Heseltine set a figure of £41.8bn for local authority spending next year, a 7.2 per cent increase on the target for the current year but a rise of only about 4.5 per cent on actual outlays this year.

Mr Norman Lamont, the chancellor of the exchequer, reinforced a call at the cabinet for tight controls on public spending with a prediction that inflation might fall to as low as 3.5 per cent by December.

Privately however, senior ministers admit that, with a general election looming, it will be impossible to resist large bids for more funds in health, education and transport. The economic recession has already added billions to social security benefit costs.

The main Whitehall spending departments have submitted bids to the Treasury for about £15bn in extra funds, with many arguing that the Citizen's Charter will not work without extra cash.

Lilley calls on US to reverse jet decision

By Charles Leadbeater

MR PETER LILLEY, the British trade and industry secretary, yesterday called on the US government to reverse its decision not to grant a re-export licensa to British Aerospace covering the plannad export to Iran of six BAe 146 aircraft.

Mr Lilley said the government was bitter that its repeated advice that the order should be given clearance had been ignored by Washington.

In an unusually frank public statement of the British government's public disagreement with US technology and trade policies, Mr Lilley attacked the decision as inconsistent, given the recent US approval for the export to Iran of similar aircraft by Fokker, the Dutch aircraft manufacturer.

Both the Fokker F100 and BAe 146 include US made components although the Dutch aircraft has less US input than its British rival. The US State Department is reportedly concerned about the export of sensitive technology to a state which continues to support terrorism.

The wings, avionics and engines for the BAe aircraft in the order were manufactured in the US.

Mr Lilley disclosed that at a meeting in July with the US Ambassador to London he had pressed for the order to be approved and Mr Douglas Hurd, the foreign secretary, recently raised the issue with his counterpart Mr James Baker.

Mr Lilley said: "I greatly regret that the US administration could not accept our judgement on the matter particularly given that the US has already authorised the export of competing aircraft."

MANAGEMENT

Global strategy

Banking on boulevards to build the business

David Lascelles investigates Citibank's operations in 40 countries

If there were a contest in the banking business for the most "global" bank, there is little doubt which would win: Citibank. Indeed, the large New York bank is probably the only member of the industry which can even lay claim to such a title.

Other banks may have wide international networks serving the multinational corporations, but Citibank is also moving into the high streets, the boulevards, and the piazzas to win the banking business of the private individual.

In its latest annual report, the bank says: "Our global vision of 'Citibanking' is taking shape in 40 countries where we are serving 34.5m households, including 24m in the US, one in every four families." At the latest count, it had 1,680 branches, only a third of which (551) are in the US. Of the rest, 682 are in Europe (mainly Germany, Belgium and Spain), 195 in Asia and Japan, and 252 in Latin America. It also has 41m credit card holders, 10m outside the US.

"What is distinctive about us is our 'globality' and our consumer business," says John Reed, the chairman, who emphasises that neither feature is to be sacrificed in the reordering of priorities made necessary by the group's recent loan losses and its need to conserve capital. Citibank has been building this business for 17 years, he says, and it needs another eight to complete the task.

Citibank's determination to create a global consumer banking network is unique in another sense. It is the only bank which believes that such a feat is possible. Other big retail banks, like the British and French, have pulled back from retail banking in far-flung continents – often after losing large sums of money at it – and are concentrating their efforts closer to home. Large US banks like Chase Manhattan are selling out of overseas retail banking. The Japanese have limited their efforts to the Californian market.

The Citibank drive stems from a number of things. The bank has a long international tradition; it has been 90 years in Japan, for example, a country where it now has 13 branches and is the only foreign bank to have made a serious attempt to tap the local retail market.

Citibank is also predominantly a retail bank, both by culture and earnings. Reed spent his early career on that side of the group, and for the past two years, global consumer banking has been the largest divisional profit-earner.

This is backed by a strong commitment to banking technology. Citibank makes its own cash machines and has built some of the world's most advanced credit card processing centres.

The cash machines in its US and Japanese branches are already linked, and Germany, Singapore and Hong Kong will join soon. Eventually, Citibank hopes to link all its branches and cash machines into a single global network.

Inevitably, analogies with other worldwide retailing businesses like McDonald's spring to mind. In one sense they are misleading because banking is a more complex business than selling hamburgers. But in another they are helpful.

The Citibank global franchise, as executives like to call it, is built on the idea that consumer banking needs are basically the same the world over, with some local variations. Branches tend to look the same whether they are in Kuala Lumpur or Brussels. The technology is being standardised. The product range is similar, and where possible, Citibank's name is over the door.

The service is built round a few basic products, usually the Citi-One account, which combines a cheque account with a credit line and a savings account, and is pulled together with a single statement. Account holders have a Citicard to get cash and information out of machines. They can use this in foreign Citibank branches which are booked up to the system.

Quality is controlled through common operating manuals and training. Individual country operations are named Citibank only when they conform to the required standard.

However, Citibank executives prefer to play down the standardising aspects of their business. They say the emphasis is on developing individual country markets, and only then linking them together.

The local emphasis reflects Citibank's policy of becoming what it calls "a relevant player" in individual markets. Wherever possible, it joins the local bank clearing system to enhance its credibility and achieve the critical mass it aims for. This helps it to overcome the barriers that banks always face when attacking a foreign retail market. The group's recent financial problems have also raised worries in Citibank that its customers might think it was about to withdraw from their country. So there is a determination to emphasise commitment.

According to Reed, one of the important attractions of global banking is its high profitability. Although the group does not break down results into individual countries, Citibank says it makes money in the majority of its overseas retail banking operations (admitted exceptions are Japan and Italy). In many, the rate of return is considerably higher than in the highly regulated US market. One executive says of the losses Citibank has recently suffered on its US lending business: "Let's face it. If we were just a New York bank, we'd be bust."

What is less clear is whether Citibank derives any added earnings benefit from having such an extended retail network. Victor Menezes, who heads the European retail business, admits that only 5 per cent of Citibank customers care whether they can use their Citicard abroad, so the marketing edge is very small.

There are some economies of scale in equipping and running a standardised global network, particularly in smaller countries with only a handful of branches, but these are not quantified. The fact that Citibank takes in a large volume of deposits in many different countries also helps its liquidity.

However, one gets the impression that the global nature of the bank's operations is driven to a large extent by Citibank's inherent sense of ambition, as well as by its fascination with the idea of creating a global, technologically linked banking system.

Another question is whether Citibank can hold on to its global ambitions while it tries to sort out its balance sheet problems. Reed's new policy emphasises short-term results, rather than the long-term commitment needed to build a retail banking business. He also wants to squeeze $1.5bn a year out of the system.

Hilmar Kopper, chief executive of Deutsche Bank, recently provided some support for Citibank's ambitions when he told a conference at which Reed was present: "We'd better concentrate on being successful at home in the medium term and think twice before we go global." But he hastened to add that Reed had good reason to "hold on" to his global ambitions.

Paul Collins, Citibank's vice-chairman, says he believes the bank can sustain its global ambitions so long as it overcomes its problems within two or three years. (The current target is 1993.) But much longer than that and the strains might force it to reconsider.

Long haul to win acceptance in Japan

Masamoto Yashiro has a rare view over the Imperial Palace from his downtown Tokyo office. His job is equally rare – to build a foreign-owned retail banking business in Japan.

As head of Citibank's Japanese operation, he hopes to have nearly 20 branches by the end of this year. But it has been a long haul. Ten years ago, foreign banks were not allowed to have branches. It was only last year that other Japanese banks allowed Citibank to join their cash machine association, an important sign of acceptance.

Today, Citibank has 250,000 personal accounts and employs 550 people to run its retail banking business. Branches are in big centres like Tokyo, Osaka, Yokohama, Nagoya and Kobe. Citibank also issues credit cards to 100,000 people.

Yashiro admits that the operation loses money – about $20m a year. But he blames that largely on Japan's highly regulated interest rate system which favours domestic banks with plentiful sources of cheap retail deposits. He expects to start making a profit when those regulations are phased out by 1994.

The Citibank strategy is to provide specialised services which attract the more upmarket, internationally-minded customer.

The bank offers multi-currency accounts for people who like to track foreign exchange movements. Since the spring, account holders have also been able to use their cash cards in Citibank's US branches.

"We are so small here that we can't compete directly with the big banks," he says. "But with special products we can. No matter how big Dai-Ichi Kangyo and Fuji are, they can't compete with us in global terms."

Yashiro rules out acquisition as a route for expansion; Japanese banks are too expensive, and anyway Citicorp is short of capital.

The chosen route is steady expansion of the branch network, with Tokyo and Osaka the favoured markets.

Corporate culture

Benefits of an 'open' company

By Andrew Jack

An "open" company is one in which the general management style is to delegate responsibility in an attempt to foster employee involvement, personal initiative and generate effective internal communications.

But is this style anything more than trendy hype? A report by Smythe Dorward Lambert, a British communications consultancy firm, sets out to investigate.

Using a questionnaire and a series of detailed interviews with chief executives, the firm concludes that open companies in the UK tend to be more commercially successful and have little to learn about openness from their continental European or North American counterparts.

The researchers drew up a list of 1,000 top companies and ranked them according to seven indicators of performance during 1990, including earnings per share growth, pre-tax profits and return on capital.

They selected 125 companies from the top quarter of the sample on at least three of the rankings and 125 from the lowest quarter.

Thirty of the respondents came from the top quarter and 16 from the bottom quarter. Each was then classified as "open" or "less open" based on eight criteria, including management culture and style, internal communication and employee share ownership.

The result suggests that better performers are more open; 25 of the 30 best companies were open, compared with only five which were in the bottom 16.

Three of the worst performers were "really closed, in the Ice Age", according to Colette Dorward, a partner in the firm.

However, the firm based its findings on only 46 questionnaires returned from a mailshot of 250 companies, and 20 follow-up interviews with some of those respondents.

Most of the report's conclusions are essentially summaries of executives' opinions rather than verifiable fact. Many factors other than openness may have contributed to the outcomes described.

The companies had clear ideas of what being more open means: focusing more on employees; orientating the companies around achievements; placing more reliance on trust, respect and communication than on rules and procedures; and fostering among employees a sense of shared purpose.

The most important reason cited for becoming more open was the effect of changing market conditions, including globalisation of business, increased competition, new technology, the growth in decentralised control of the corporation, and increased social awareness and corporate responsibility.

The respondents argued that the benefits of being open included increased flexibility, cohesion across tha company, increased employee commitment and better decision-taking.

Two thirds of the companies had undertaken cultural change programmes to restructure the way in which they are run, but surprisingly that included all the poorer performers.

The best approaches appeared to come as a result of devolution of authority; training; articulation of a clear mission; internal communication; and employee involvement and participation.

"We found that change is driving most organisations," says Dorward.

"But evolutionary change worked far more successfully than a 'Big Bang' programme of change implemented all at once."

A final, unexpected finding, she says, was that none of the companies used worker councils, as they are defined under the draft European social charter.

Managers were nervous about any legislation that would formalise employee participation.

The power of the open company. July 1991. Smythe Dorward Lambert, Julia House, 40-42 Newman Street, London W1P 3PA.

New York Summer Music

The demise of Pepsico Summerfare has left New York – sweltering in its record-breaking hundred-degree heat, day after day – without challenging, arresting musical activity. But a new festival has started: TillesFest, out on Long Island, on the Post campus of Long Island University. It's an agreeable, tree-shaded place – once Emily Merriweather Post's estate, and now provided with the best large concert hall (holding 2,200) in or around New York.

Visiting orchestras often appear there; Kurt Masur did so with his Leipzig orchestra, and now, as conductor-designate of the New York Philharmonic, he gave his enthusiastic support to a Tilles-Philharmonic festival. Weekends were devoted to American music (conducted by Christopher Keene), to Mozart (conducted by Erich Leinsdorf), and to Mendelssohn (conducted by Masur). Before the orchestra concerts, Philharmonic players played chamber music.

In the *Italian* Symphony and the *Midsummer Night's Dream* music the Philharmonic under Masur was an orchestra transformed – playing with delicacy and poetry that I don't remember from them since I heard them under Bruno Walter's baton. A triple spell was perhaps at work: the spacious, favouring Tilles acoustics, the adept players' loving response to and respect for their new conductor, and Mendelssohnian summer magic.

Other excursions-from-New York festivals continue. Caramoor, to the north, this year had nothing of special attraction. But, to the west, the Waterloo Festival offered an alluring bill: Carl Nielsen's "Inextinguishable," preceded by the Sibelius Violin Concerto played by Gil Shaham. Waterloo Village, 50 miles from New York, was once a New Jersey iron town, then a busy port on the Morris Canal. When railroads put paid to waterways, it became a deserted village. Two friends bought it bit by bit, from 1946, and restored its surviving buildings; and now it is a beautiful, romantic place beside the water, hard to reach but worth reaching. Through the woods and the meadows fireflies sparkle as darkness falls.

The Waterloo Festival Orchestra, which plays in a concert tent on the outskirts of the village, unites crack young students with their crack instructors. Richard Bradshaw, conducting, furthered Shaham's passionate performance of the Sibelius concerto, and gave a wonderfully gripping account of the *Inextinguishable*, holding Nielsen's long line unbroken.

In New York itself, various venerable institutions are playing pop works in various parks, to monster audiences – but through amplification that makes any musical considerations irrelevant. On Lincoln Center, the City Opera and Mostly Mozart are active. I'll report on these when they reach climaxes – the first with its "call-girl" *Traviata*, the other with Roger Norrington's "1791 Mozart Weekend", also due in London next month.

Andrew Porter

TELEVISION

Low expectations from the Thatcher years

When there is already a film version of *Great Expectations* as good as David Lean's 1946 production what is the point of re-making it unless you think you can do better? The answer in the case of ITV's six part serialisation which began on Sunday would seem to be: so that the producers (HTV, Primetime and Disney) can make some money out of it. But then why remind everybody of the earlier and superior version by choosing to imitate rather limply Lean's superb opening scene where Magwitch confronts young Pip in the cemetery on the Essex marshes? It is one of the most famous and memorable sequences in cinema history, but there is no rule that a dramatisation of the book has to start there. Some would assume deliberate homage to Lean, others sheer folly. Still, by and large the new adaptation seems workmanlike.

★

Posterity will surely see the influence of Thatcherism on television as sadly malign. Judging by the sequence of startling leaks, mostly engineered by my *FT* colleague Ray Snoddy, concerning the size of the bids that have been made in the blind auction for the ITV franchises, unless the Independent Television Commission (ITC) under George Russell has the nerve to drive a coach and horses through the new legislation, we may be facing the decline and even destruction of high quality British commercial television after a life of just 40 years.

The prospect of a company as outstanding as Granada (once voted "The best television company in the world" by America's respected *Channels* magazine) being driven out of network television by being out-bid is bad enough. Perhaps Granada would remain in programme production as an independent, selling *Coronation Street* to the highest bidder . . . which might well be the BBC. Even more dispiriting, though, is the prospect, which now seems likely, of the ITV companies being driven into intense ratings competition and simultaneous cost-cutting in order to produce the vast sums they have been promising to the government in order to win the franchises in the first place.

There will be no difficulty in deciding where the blame lies for the resulting collapse in programme quality. It was the greed, malice, and philistinism of Thatcherite politicians – greed for tax revenue, malice against broadcasters, philistinism towards all the arts – which got us into this mess, a mess which now seems likely to end one of the rare remaining ways in which Britain led the world. These politicians with their obsession about the price of everything and their ignorance about the value of anything were convinced that what mattered about television was money. Being politicians, it never seems to have occurred to them that for normal people what matters about television is the programmes, and British commercial television programmes have been extraordinarily good.

★

The other appalling Thatcherite effect upon broadcasting has been the proliferation of regulation. While pretending to a desire to dissolve quangos and roll back the boundaries of the state the Thatcherites have actually lashed British broadcasting into a complicated straitjacket of rules and regulatory organisations, the like of which is rarely seen now outside the boundaries of totalitarian China. To watch French, Italian, German or Spanish television these days and then come back and watch in Britain is like moving from the adult lending library back into the infants' section.

The impossible position in which broadcasters have to work was illustrated last week by the simultaneous publication of the ITC's quarterly "Programme Complaints And Interventions Report" and the annual report of the Broadcasting Standards Council. One film shown by Channel 4 which had been declared "beyond acceptable limits" by the BSC (*W.R. Mysteries Of The Organism*) had, according to the other report, been previewed by the ITC and approved for transmission. Most British viewers neither need nor want this sort of busybody idiocy from the BSC, and the sooner Mr Major can distance himself from the old Thatcher crowd and close it down, the better.

★

That said, there is at present a most unusual rash of programmes about sex. In the main they are timid compared with what you might expect nowadays in Holland, say, or Denmark. This week's *Heart Of The Matter*, for instance, dealt with the debate about legalising prostitution by strolling round all the predictable bases, especially those occupied by clergymen. Earlier in the week, in *Thighs, Lies And Beauty*, BBC1 sent out two women to "try to discover the origins of the modern view that wrinkles, double chins, hairy armpits, fat tummies and small breasts are unattractive" (as distinct from the old view, presumably, that they are all simply super).

Repeated rhetorical questions of the "Why oh why do we do it" variety, applied to mud packs, hair-dos and so on, were answered every time with the same sort of excuse: *poor ickle women are* "pressured" into these things by great big macho marketing men. As in the old joke about the boring pilgrim ("Oh God, why me, why me" etc, followed eventually by the bolt of lightning and the thunderous voice declaring "Because you give me the pip") one longed for one of those "Why oh whys" to receive the bellowed response from heaven "Because you're so damned vain".

★

At the weekend came the first of the ITV series *Sex Now* which, unless my ears deceived me, claimed that "According to our survey people are more sexually active now than ever before". It makes you wonder which particular set of figures they are using for, say, the year 1423. Germaine Greer whose attitudes towards sex in the 1960s were completely cockeyed, as she blithely admitted here, is now busy getting them even more ludicrously wrong in the nineties. But you have to admire the woman: no matter how loony her ideas she always manages to get paid to pontificate about them on television.

★

The week did, however, bring one collector's item in the sex category: *From Wimps To Warriors* on sado-masochism. True, BBC2 made virtually certain that you would miss it by scheduling it for 9.45 and then showing it at about midnight, presumably because some bigwig had seen (or heard about) it and taken fright. It was by turns funny, sad, and heartening. Funny because of the sheer complexity of some of the gear involved: would you believe a dog suit inside which the man's testicles are tied to the upper part of his body so that he has to remain on all fours while his mistress walks him on a lead in a public park? We *watched* them. Sad because some of it seems so grubby and graceless – those horrifying zipped leather helmets, for instance. But heartening because the people involved seemed so ordinary and quiet and on the whole rather sweet.

★

I can imagine the raised eyebrows already, and sense the eyes streaking back up the column to check that earlier phrase: sado-masochism is "infants' section" television, eh? No, this was of course an exception – but would it not better for children to see those people pleasing one another, in however bizarre a manner, than to watch more of television's usual shootings and knifings and hatred? You would have to be a real BSC type to take exception to a programme about people who are so clearly supplying one another with what makes them happy.

Christopher Dunkley

Martin Harvey and Anthony Hopkins in 'Great Expectations'

Dead Sheep

BUSH THEATRE, W12

Catherine Johnson's funny and shocking new play has the rare knack of making you roar with laughter at the same time as punching you in the solar plexus. Three ex-addicts, the proverbial lost sheep, are spending a weekend climbing in the Welsh mountains. They have two guides – the ferocious John, graduate of borstal and, possibly, of the SAS, whose job it is to tend to their physical survival, and Philip, director of a rehabilitation centre and self-styled shepherd of their souls.

In a first act that bristles with scurrilous insights, Johnson explores the funny little inadequacies of the three women patients. There is Zoe, a naively enchanting Kate Hardie, whose survival skills stop short of being able to deal with a tin of canned beef; there is Gwen Taylor's puddingy Eve, collector of blisters and deflater of enthusiasms, and there is Holly (Katrin Cartlidge), whose khol-smeared eyes glisten with tears for her husband, who has recently died from a heroin overdose.

On a stage of real turf flanked by outcrops of rock, they set up camp and prepare for the final ascent. Through the almost clownlike humour of their preparations Johnson is making a serious point – that they are as vulnerable to the spiritual bullying of their guru as to the fleshly innuendo of their guide. In the second act, this is turned to catastrophic account as they set up off the mountain, roped together so that if one falls they all do. With an inevitability that only becomes clear in retrospect, disaster strikes.

It would seem churlish to give too much away, except to say that in a final confrontation of explosive logic it emerges that Johnson's real concern is with the emotional stability, not of the flock, but of the shepherd. Bravely and bizarrely, the part of Philip is played by a dwarf, Jon Key. It is bizarre because of the focus Key provides for Johnson's cruel black humour (especially in contrast with the gleaming muscles of Gary Love's John), and brave because of the way spiritual stature is reflected in physical appearance.

The whole thing could so easily tip over into bad taste, but it is held in a dizzying balance by Mike Bradwell, under whose direction the humanity of the characterisation provides an anchor for the inhumanity of the plot. The design (Geoff Rose) and *the acting could hardly be better.*

Claire Armitstead

Edmond

THE OLD FIRE STATION, OXFORD

David Mamet is the man who brought shorter, quicker plays to the American theatre. One only wished this production of *Edmond* at The Old Fire Station, Oxford was shorter and quicker too. This was an unenlightened performance of a dispiriting play.

Mamet's talents are widespread, involved in several media. In the theatre, the sharp dialogue of *American Buffalo* or *Sexual Perversity* fixes a character with a few monosyllables. For film, he has written the intricately-plotted screenplay of *House of Games*. And he has gathered essays and lectures enlivened by wry charm in *Writing in Restaurants*.

This play, *Edmond* is not one of his best, and needs a good production to keep its issues alive; here they needed life support. But they are worth reviving: is our behaviour determined by our genes or our environment? what choices do we have in the matter? Mamet gives Edmond enough self-awareness to make him smart, enough prejudice to make him unpleasant, but never enough insight to make him thoughtful. Wisdom comes in small nuggets from the Mamet shovel.

There is no plot, just a one-way ticket from prosperity to wretchedness: Saville Row to skid row. Edmond quits his married middle-class comfort after a tiff with his wife; he walks out on her, and in on a series of prostitutes, con-men, muggers and street-smart urbanites. In the massage parlour, the sleazy motel, or at the pawn broker, Edmond learns the rules of each game afresh. Eventually, he musters a little self respect, mistakes his new-found aggressiveness for assertiveness, and in a fit of rage, murders a waitress he has just slept with. He ends up doing time in "Club Fed."

The staging is really the culprit here; a good galvanised steel set was made to look cumbersome and awkward by the protracted scene shifting. The job of a Mamet director is to speed the play, and in this Jonathan Meth was let down by his lighting designer. There are some good scenes, however, particularly those between Edmond and his murder victim, and then between suspect and police inspector down at the station.

The play leaves one feeling that a Shakespeare sonnet, a Dr Johnson paragraph, or one of Mamet's own essays would say more about who we are and how we should conduct ourselves than the characters in *Edmond*.

Andrew St George

A Midsummer Night's Dream

AIX-EN-PROVENCE FESTIVAL

Thirty-one years old now, Britten's Shakespeare opera has maintained an ambiguous reputation. Musically it boasts an inspired economy, taut and telling, which answers to Peter Pears' radical trimming-down of the text. Dramatically, it has sometimes seemed to confine the story to picturesque anaemia: good faery effects, but only a few windows on a richer human world – the lovers' Awakening quartet, Bottom's remembered Dream, the rude parodies of Bellini and Donizetti for the "Pyramus" play-within-the-play. The new *Dream* at Aix is quite different, and it is enjoying a huge, wholly deserved success. (The last performances are on Friday, Monday and Thursday next.)

In a properly organised world, this production would already be headed for London; but its Aix predecessor just two years ago, an exhilarating version of Purcell's *Fairy Queen* (on the same play) by Les Arts Florissants and a contingent from the RSC – expensive, admittedly – never found the funds to strut at home. That must not be the fate of this *Dream*. I hadn't imagined that the piece could be staged as brightly, freshly and consistently as Robert Carsen has done here, in perfect sympathy with Michael Levine's crisply witty designs. Given the lively cast and the conductor Steuart Bedford's knowledgeable hand, the performance was an unmitigated delight, and something of a revelation.

Where the new Aix *Figaro*, two nights before, made one recall how much more skilfully Peter Hall had managed Mozart's garden-scene at Glyndebourne, the Carsen and Levine *Dream* makes Hall's version seem neo-Edwardian, irrelevantly pretty. Whatever Britten might have envisaged, his faery music isn't picturesque, but cool and strange – it doesn't twinkle or scurry like Mendelssohn's. In the Aix version James Bowman's languid, crooning Oberon is a Noel Coward figure, in a swish green dressing-gown to match his hair, and Lillian Watson's archly carolling Titania has more than a touch of Prunella Scales. The elfin trebles are a blank tribe of *mittel-Europäische* hotel staff, wingless but sporting clone 'taches in Oberon's preferred colour.

Though the production does nothing to rebut Edith Cresson's recent diagnosis of Englishmen, it reveals further degrees of erotic complexity. In the first act Levine's plain landscape soon proves to be a giant green quilt for a two-pillow bed; for the second it becomes a whole school-dormitory of beds, and the third begins with the crucial ones – containing Titania/Bottom, Helena/Lysander, Hermia/Demetrius – suspended in mid-air. On the other hand, the pederastic hints have been erased: the "changeling boy" for whom Oberon and Titania contend is a mere baby doll, and Puck is a wildly athletic, middle-aged comedian (the brilliant Emil Wolk) instead of the prescribed ballet-dancer in his early 'teens. The scene in which Oberon subjects him to a kind of electrical torture loses its nasty S-&-M overtones and becomes virtuoso slapstick.

The frantic lovers are expert: Juliet Booth's Helena unguardedly intense (if squally at the top – first-night nerves, no doubt), Eirian James' Hermia dark and sexy, their swains John Graham-Hall and Gerald Finley dignified, comically distraught and vulnerable. The excellent troupe of mechanicals, led by Roderick Kennedy's upstanding Bottom (too gallant to overween much, and therefore only mildly funny), is graced by Donald Adams' warmly anxious Peter Quince and Christopher Gillett's twitchy, touching Flute/Thisbe. For once their low comedy seems the right episode in the right place, and not just *Carry On* foolery wheeled on for a last-minute rescue. The proportions of the opera seem cleverer than ever, its lovelorn cartoons funnier and more humane; it looks like lasting for a good long while.

David Murray

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Augustin Dumay and Maria Joao Pires give a violin and piano recital, including Brahms' Sonata in G and Beethoven's Kreutzer Sonata. Tomorrow: recital by winner of the 1991 Gina Bachauer International Piano Competition. Sun: Heinrich Schiff and Tzimon Barto (6718 345)

■ ATHENS

Herod Atticus Theater 21.00 Concert by Berlin Radio Chorus, including music by Mikis Theodorakis, repeated tomorrow (322 1459)

■ COLOGNE

Philharmonie 20.00 Ken Hill's 1970s version of the musical The Phantom of the Opera, predating the version by Andrew Lloyd Webber. Runs till Aug 4 except Mon, with matinee and evening performances on Sat and Sun (2801)

■ GENEVA

Hôtel de Ville 20.30 Elizabeth Chojnacka gives a harpsichord recital, with music ranging from Rameau to Ligeti and Ohana. Sun: Thomas Demenga gives a solo cello recital with music by Heinz Holliger, Klaus Huber, Berio and Britten (289982)

■ HEIDELBERG

Stadthalle 20.00 Piano recital by Michael Ponti, with music by Liszt and Chopin. Sun: Cosi fan tutte at Heidelberg Castle. Sun: concert of sacred music by Mozart and Pergolesi in the Peterskirche. The Heidelberg Castle Festival runs till September (06221-583521)

■ LONDON

DANCE

Coliseum 19.30 Ballet Nacional de Espana in a programme of five works, including Alberto Lorca's flamenco display Ritmos and Jose Granero's Medea. Repeated tomorrow and Fri, with matinee and evening performances on Sat (071-836 3161)

MUSIC

Covent Garden 20.00 Mark Ermler conducts Elijah Moshinsky's production of Attila, with Barseg Tumanyan in title role, Karen Huffstodt as Odabella and Dennis O'Neill as Foresto, also Fri. Tomorrow and Sat: La fanciulla del West, with Mara Zampieri as Minnie (071-240 1066)

Royal Festival Hall 19.30 Alexander Nevsky: screening with English sub-titles of the complete Eisenstein film, with Prokofiev's music performed live by the Royal Philharmonic Orchestra conducted by Yuri Temirkanov, with Christine Cairns and the Brighton Festival Chorus. Repeated tomorrow (071-928 8800)

Queen Elizabeth Hall 19.45 Emma Johnson, clarinet, joins the Endellion Quartet for a chamber music programme including Brahms Clarinet Quintet. Sat: Atar Arad joins the Endellion for two Mozart string quintets. Sun: Norbert Brainin, Martin Lovett and Artur Pizarro join the Endellion in a performance of Brahms' String Sextet No 1 (071-928 8800)

Royal Albert Hall 19.30 Andrew Litton conducts the Bournemouth Symphony Orchestra in Gershwin's Cuban Overture and the second symphonies of Bernstein and Sibelius. Tomorrow: Sabine Meyer plays Mozart's Clarinet Concerto. Fri: Edward Downes conducts Elgar, Dvorak and Holloway (071-823 9998)

THEATRE

New Shakespeare Company: Judi Dench directs The Boys from Syracuse (Open Air Theatre, Regents Park), the Richard Rodgers musical based on Shakespeare's Comedy of Errors, including songs such as This Can't Be Love. The cast is led by Peter Woodward, Louise Gold and Richard O'Callaghan. Opening tonight, runs till early September, no performances on Sun. NSC productions of Macbeth and A Midsummer Night's Dream return to the repertory in early August.

Royal Shakespeare Company: Ian Judge's colourful, camp production of The Comedy of Errors is showing tonight and tomorrow (Barbican). On Fri and Sat, the company presents Chekhov's The Seagull, with a cast including Susan Fleetwood, Simon Russell Beale and Roger Allam, directed by Terry Hands. In The Pit, the RSC has Sam Mendes' production of Troilus and Cressida tonight and tomorrow, followed on Fri and Sat by Nick Dear's version of Tirso de Molina's bawdy morality play The Last Days of Don Juan.

For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

Staatsoper 19.30 Valery Gergiev conducts Johannes Schaaf's production of Boris Godunov, designed by Wolfgang Gussmann. The cast is led by Paata Burchuladze, Julia Varady and Kurt Moll. Tomorrow and Sun: Silvio Varviso conducts Der Rosenkavalier. Fri: Der fliegende Holländer. Sat: Le nozze di Figaro (221316)

Herkulessaal der Residenz 20.00 Margaret Price gives a Lieder recital (221316)

■ NEW YORK

MUSIC

Philharmonic in the Parks 20.00 Zdenek Macal conducts New York Philharmonic Orchestra in a free open-air concert with fireworks at Prospect Park, Brooklyn, with a programme of Mozart's Prague Symphony and Mahler's First. Philharmonic in the Parks programme runs till July 31. For more information, call Parks Hotline (580 8700)

Avery Fisher Hall 20.00 Armin Jordan conducts the Mostly Mozart Festival Orchestra in a Mozart and Schubert programme, with soloists Joshua Bell and Richard Goode. The soloists tomorrow and Fri are Emanuel Ax and Dmitry Sitkovetsky. Sat and Sun: Roger Norrington supervises a weekend of Mozart events focusing on the year 1791 (875 5030)

New York State Theater 20.00 Steven Sloane conducts Frank Corsaro's production of Tosca, with Martha Thigpen in title role, Antonio Barasorda as Cavaradossi and Harry Dworchak as Scarpia, repeated on Sat at 14.00. Fri: Bizet's Pearl Fishers. Sat evening: new production of La traviata. Sun: Sondheim's A Little Night Music (870 5570).

OFF BROADWAY THEATRE

The Good Times Are Killing Me is Linda Barry's play with music, directed by Mark Brokaw, about the coming of age of two girls, one white and one black, as they explore the mysteries of adolescence, divided families and racism (Minetta Lane Theater, 18 Minetta Lane, 420-8000).

The Matchmaker is a revival of Thornton Wilder's farce set in Little Old New York in the 1880s. Directed by Lonny Price, with Dorothy Loudon and Kenneth Mars (Roundabout Theater, 100 East Seventeenth Street, 420-1883).

Rhinoceros is a revival of Ionesco's 1960 play about the absurdity of the human condition, directed by Anne de Mars (House of Candles, 99 Stanton Street, 353-3088).

Line is Israel Horovitz's long-running play about five people who want to be first in line (13th Street Theater, 50 W. 13th Street, 675-6677).

Ticketron answers inquiries and sells tickets (246 0102)

■ PARIS

Eglise Saint-Severin 20.30 Christophe Rousset conducts Il Seminario Musicale in Jomelli's Lamentations of the Prophet Jeremiah, with soloists Catherine Dubosc and Gerard Lesne. Tomorrow at Forum des Halles: Philippe Herreweghe conducts Schoenberg's Pierrot Lunaire (4804 9801).

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ ROME

Caracalla 21.00 Gala concert with Marilyn Horne, Eva Marton, Barbara Hendricks and Katia Ricciarelli. Tomorrow and Sun: staged performance of Nabucco. Fri: Aida. The Caracalla Festival continues till late August (488 3641)

■ VIENNA

Konzerthaus 20.15 Manuel Hernandez-Silva conducts Vienna Mozart Orchestra, performing in historical costumes, also Fri (712 1211)

Laxenburger Schloss 20.00 Piano recital by Oleg Maisenberg, with music by Tchaikovsky and Schumann. A special bus to Laxenburg leaves the Staatsoper at 18.45 and returns shortly after the concert (512 7381)

Schönbrunn 20.00 Artis Quartet plays string quartets by Mozart. This is part of the Wiener Musiksommer series. Tomorrow in Arkadenhof: Igor Oistrakh is soloist with the Swiss Youth Symphony Orchestra (4000 8410)

Schönbrunner Schlosstheater 19.30 Vienna Chamber Opera production of Don Giovanni, also tomorrow. Fri and Sat: Le nozze di Figaro. (824566)

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(all times CET)

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CNN
0500-0530 Moneyline
0800-0830 Moneyline
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1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly

Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

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0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
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1930-2000 FT Business Weekly
2330-0030 FT Business Weekly

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Wednesday July 24 1991

A dangerous alliance

THE revelations about South African government funding of Chief Mangosuthu Buthelezi's Inkatha Freedom Party reveal a strategy as dangerous as it is unethical. There has long been speculation that President FW de Klerk and his cabinet envisage an alliance with Inkatha which would ensure their domination of a post-apartheid South Africa, at the expense of the African National Congress (ANC).

Speculation has become near-certainty, with the government's admission that state funds have been channelled into Inkatha and its associated trade union; and amidst a welter of allegations, it is now difficult to avoid the conclusion that the links extend to government complicity in the township violence which has cost thousands of lives, and which by intimidating ANC supporters has benefited Inkatha.

Were Mr de Klerk president of a democracy his position would be in jeopardy. His release of Mr Nelson Mandela, the ANC leader, was the act of a courageous politician, albeit one who was being forced to acknowledge pressing political and economic realities. It now turns out that at the same time he was funding a secret campaign to boost Mr Mandela's rival. It is unlikely that Mr Mandela will again describe President de Klerk as a man of integrity.

Delayed measures

He is, nevertheless, as essential to South Africa's transition to democracy as is Mr Mandela himself. But if the now stalled negotiations are to get off the ground, Mr de Klerk has to take measures too long delayed.

The first step is to end an alliance which has already done considerable harm to South Africa, and which – if pursued in the same way – is capable of doing much more.

An electoral pact with Mr Buthelezi attracts many white South Africans. Mr Buthelezi never supported sanctions. He has always advocated a mixed economy, and argued that violence was not the way to end white rule. His natural constituency appears huge. The Zulu tribe of which he is a chief numbers some 7.5m, the largest single ethnic group, making up over 20 per cent of the population. Simplistic electoral arithmetic combines the Zulus, 5m whites, and 4m coloured and Asian votes. Put this in the context of a constitution which emphasises minority rights and highlight divisions within the ANC, and the alliance may look feasible.

Wishful thinking

Yet no-one should know better than Pretoria that this wishful thinking will not work. South Africa supported comparable strategies during the independence process in Zimbabwe and Namibia and failed. In both cases political parties ware funded, dirty tricks employed, and ethnic divisions encouraged, in an effort to defeat the African nationalist contenders.

It is doomed to fail in South Africa. It is far from certain that Mr Buthelezi commands majority support among the Zulu, and he has no significant sopport ontside this ethnic base.

At the same time, Mr de Klerk must urgently set about reforming the security services. This should begin with the dismissal of General Magnus Malan, the defence minister, and Mr Adriaan Vlok, the law and order minister. It has long been clear that neither man is prepared to discipline officers and men who, with or without government connivance, instigate political violence.

Mr de Klerk should also appoint a judicial commission of inquiry into the Inkatha affair, with a remit which includes the wider use of government funds in support of party political objectives. And he should give way to long-standing demands for an independent investigation of the allegations of the involvement of the security forces in township violence.

Only last month Mr de Klerk, reviewing the wide-ranging reforms his government had introduced, declared: "The political playing field has been made equal." As long as he fails to act, these words have a hollow ring. As long as they do, the process of re-admitting South Africa to the congress of civilised nations will be stalled.

Scotland and the union

THE FUTURE of the union with Scotland is the most pressing constitutional issne facing Britain. Among Scots, support for further devolution is consistently overwhelming; of the parties, all bar the Conservatives now support a Scottish parliament with fiscal and legislative powers; and with the European Community a nascent federation, ontright separation – "an independent Scotland in Europe", as the Scottish National Party puts it – sounds more plausible than at any time since the rout of the Jacobites. Yet most British – or rather English – politicians have yet to wake up to the implications of conferring autonomy on Scotland.

For Scotland, greater antonomy is not only viable, it accords with the subsidiarity principle Community politicians (incinding Mr Major) preach, and the rest of democratic Europe – even Spain and (more tentatively) France – now practises. Scotland has its own distinctive law, culture and politics; it already enjoys administrative devolution; its economy and 5m population are larger than those of most American states. If a majority of Scots call for a parliament in a referendum, there has to be a powerful reason to deny them. With the single European market at hand, economic fears have diminished.

Labour is committed to creating a Scottish parliament within a year of taking office. Its parliament will have "legislative and revenue raising powers and economic responsibilities", and the party cites the report of the Scottish Constitutional Convention – which embraces Labour, the Liberal Democrats, trades unions and churchmen – as "a sound basis" on which to proceed.

Wide implications

Were such a parliament to be established, however, the implications for the nnion would be far-reaching. Among the questions that arise are the following: what relationship should Scotland have with the English exchequer? Should the sovereignty of the Westminster parliament be limited in Scotland – and if so, how? And why should Scots MPs thereafter have any say over English legislation?

Variations on this last theme – the so-called "west Lothian question" – have plagued every attempt at devolution within the UK since Gladstone struggled with Irish Home Rule. Westminster is both the "state" parliament of England (and other regions without devolution) and the "federal" parliament of the United Kingdom. Follow federal logic, and England should get its own parliament as part of any devolution settlement.

Rare logic

Logic, however, rarely features in Britain's constitutional arrangements. Labour is instead proposing to balance a Scottish parliament with a weaker form of devolution for the regions of England. This ignores the awkward fact that that most English people remain to be persuaded of the value of regions; and that, however desirable regional autonomy may be in principle, the chaotic state of English local government may not make the next few years the most auspicious time to define yet another set of boundaries and responsibilities. Even if a Labour government could solve these problems, there would be a long interim period during which England would have a democratic deficit with Scotland. In short, the West Lothian question persists.

An alternative course, following Stormont, would be to leave Scots MPs at Westminster, with full voting rights but in reduced numbers. Scotland already has 13 MPs more than it should, if all votes were equal. Home rule would be hard to justify without a significant reduction.

With a fifth of Labour MPs sitting for Scottish seats, the party politics involved are obvious. Labour has to find a formula to pacify the Scots without sacrificing all hope of governing England. Those who favour Scotland's just desire for greater independence, however, must not be allowed to shirk the more difficult implications. The Scottish debate illustrates very clearly the urgent need to re-consider the central constitutional issues facing the United Kingdom, from electoral systems to the form and function of local government.

Problems at National Home Loans indicate rising financial risks, writes **Barry Riley**

Beginnings of a flight to safety

Confidence, that fragile commodity, is suddenly a pivotal factor again in the financial markets. Depositors big and small have relearnt an old lesson, that high returns involve above-average risk. In the wake of the BCCI closure those risks are perceived to have grown.

There will be obvious parallels drawn with the onset of the secondary banking crisis in the UK in 1973, when London and County Securities, a fringe lender which was active in the property market, encountered a funding emergency. Dozens of other secondary banks soon also found themselves frozen out of the money markets, and could not replace deposits as they fell due.

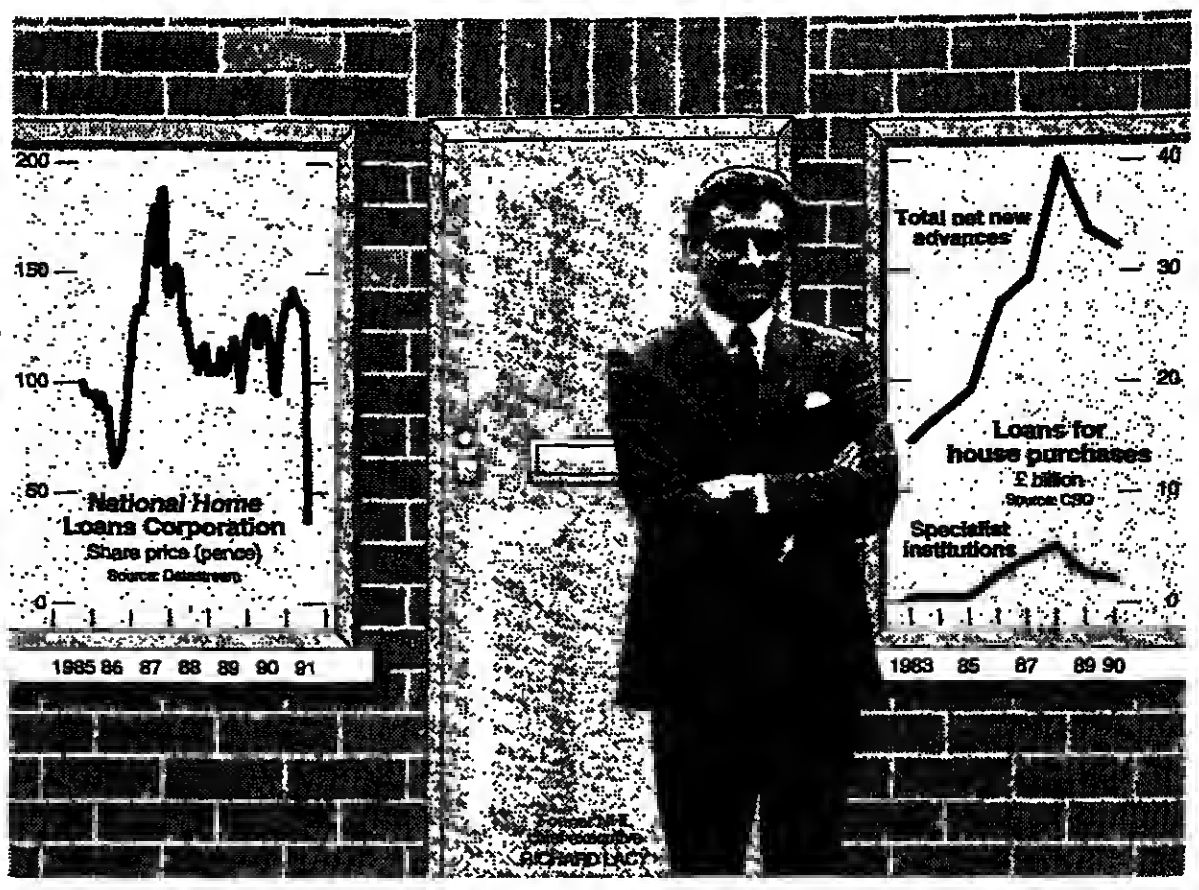
The famous Bank of England lifeboat set sail; it was a mechanism through which deposits raised by the clearing banks and other top-quality institutions could be recycled to the fringe operators. At its peak in March 1975 the lifeboat was lending almost £1.3bn, say £5.5bn in today's money, and the vessel was not finally winched back up the slipway until the start of the 1980s.

In good times there is little risk in lending to banks, even fringe ones, and depositors adjust their behaviour accordingly. For a tiny interest rate premium, often only $\frac{1}{8}$ per cent or ¼ per cent, they will switch deposits away from mainstream institutions towards those on the fringe. In these conditions, as in the mid-1980s, it is comparatively easy for new and enterprising financial institutions to be founded. This happened in the case of National Home Loans Corporation (NHL), which was launched in 1985 to develop a new niche in the growing market for mortgages, then only quite recently completely deregulated.

But the closure of BCCI has provided a painful reminder to thousands of depositors, including treasurers of companies and local authorities, that the level of risk has increased again. The difficulties of NHL indicate that a flight to safety has begun.

This is not quite 1973 all over again. The closure of BCCI was in response to an alleged long-running fraud, rather than any particular recent crisis (London and County's failure followed a property market collapse). Nevertheless there has been a serious deterioration during the past two years in the general banking climate.

When NHL was set up it was assumed the risks involved in properly secured and documented first mortgage lending on British residential property were just about nil. Today, the UK house market is deep in slump and mortgage arrears are rising to unprecedented levels. Yesterday the US credit rating agency Standard & Poor's warned of a potential



downgrading of certain mortgage-backed securities issued by one of NHL's rivals, The Mortgage Corporation, partly because of doubts over the insurance cover attached to them. It is possible to construct doomsday scenarios about a downward spiral in UK house prices and about unexpected specific risks – after all, NHL suffered a £3.5m loss on mortgage fraud last year. Still, the company remains profitable, and its loans appear to be comfortably covered by house values, even at the current lower levels.

The risks of lending to NHL are not large, but at the same time they are no longer entirely negligible. The affair illustrates the dangers of dependence on the wholesale money market. This is an active professional market, conducted by telephone and fax, from which confidence can evaporate overnight. The first step may be a widening of deposit rates, but this may aggravate the problem rather than solve it; if there is perceived to be a significant risk no interest rate could be enough to compensate, because the corporata treasurer dreads an appearance in newspaper stories about a busted bank, and the probable loss of his job.

There are many examples of the sudden collapse of institutions, such as the solvency crisis of Continental Illinois of Chicago in 1984, because of excessive dependence on corporate treasurers. In contrast, retail depositors tend to be more loyal, and only very rarely does confidence among the general public collapse to the extent that it leads to that ultimate bankers' nightmare, the queue of panicky depositors waiting for the bank to open on a Monday morning.

Most deposit-taking institutions have taken on board the lessons of 1973. Even in NHL's case part of its funds have been obtained in a more stable, longer-term form. Yesterday First National Finance Corporation (FNFC), one of the main clients of the 1970s lifeboat, with support of £350m, thought it wise to issue a statement. FNFC, which returned to robust profitability in the 1980s but has now dipped back into the red because of bad debts, was reassuring: "Funding is composed of matched medium-term committed bank lines," it said, which in layman's language meant it did not raise funds on a short-term basis. It is not vulnerable to a liquidity crisis, and the worst that could happen is it might find it difficult to finance new business.

The current crisis will not lead to a series of failures, but there could nevertheless be important consequences, because the dominance of a relatively few leading banks at the heart of the financial system will be reasserted. Fringe institutions such as BCCI or British & Commonwealth Merchant Bank can be closed and the assets of their depositors frozen, but this could not be allowed to happen to the clearing banks because of what the regulators describe as the "systemic risk" to the banking sector as a whole.

The power of the big banks wanes in prosperous times, when small competitors multiply and expand. But it waxes at periods such as this one, when many of the fringe institutions are forced to turn to their big brothers for protection. Smaller companies such as NHL may survive, but the assistance comes at a heavy price, and they may find it hard to compete as the cost of funds rises.

Historically the Bank of England has been keen to promote a wide variety of financial institutions in the UK, as a way of creating an enterprising and competitive international financial centre. But that can create risks when times turn more difficult; and if panic were allowed to develop, perfectly sound institutions might be swept away, with the marginal ones. Moreover, as the past few days have demonstrated, the Bank comes under pressure to bail out depositors indiscriminately. In the circumstances, it is forced to place the emphasis back on the core of leading banks. Lifeboats may not be very comfortable or efficient, bnt with lnck and good helmsmanship they are unsinkable.

House in need of repair

Yesterday's news that eight clearing banks have had to assemble a lifaboat for National Home Loans is a indication of how rapidly fortunes are changing in the UK mortgage market.

Three years ago, when the housing market in Britain was at its peak, building societies were struggling to retain their traditional place in the market.

The most formidable of the band of aggressive new lenders that they were battling against was National Home Loans. Under its then chief executive, Mr Richard Lacy, it appeared to be riding the crest of a wave. The company entered the market with a stock market flotation in 1986. It quickly pushed its way into the top dozen UK mortgage lenders, by offering sophisticated mortgage prodncts, snch as low-start mortgages, long before the building societies had learned how to do so.

It tapped the commercial money markets for cheap funding and sold its mortgages through insurance companies, so avoiding the costs of a branch network.

"For us, it is the insurance salesman rather than the customer who is ultimately the king," NHL executives would say privately.

Mr Lacy, a former building society executive, rapidly became the star of his industry. When the industry banded together in the Council of Mortgage Lenders, be was the natural choice for its first president.

The rewards of success wera equally glittering. NHL's 1989 annual report disclosed – to the fury of many competitors – that Mr Lacy received a salary of £425,000 in the previous year, far above the salaries of the best-paid directors of Barclays Bank and National Westminster. The chief executive of Alliance & Leicester, the building society where he cut his teeth, earned less than a quarter of Mr Lacy's salary.

The market was less impressed with NHL's performance. By 1989 the housing market had turned down as the banks' base rate climbed, forcing up the funding costs of NHL and other new lenders and restoring the advantage to building societies which had cheaper funding from savings deposits.

NHL's share price languished at about 110p for two years from mid-1988. There were some specific signs of weakness in the company which disturbed analysts. One was that much of its mortgage lending was to borrowers who did not have to prove their income.

Instead the group relied on lending to customers who could put up a substantial chunk of the price of a house. "If a third of the value of a house is the customer's own money, he is going to fight hard to stop it going into arrears," officials at NHL's newly-built Solihull headquarters would say. "Because if things go wrong, the customer knows that it is his third of the money which will go first."

In just over five years, NHL sold £6bn worth of mortgages, £2.5bn of which were were packaged into mortgage-backed securities and sold off to other institutions.

When the clouds began to gather over the market, the group began to diversify into new lines of business, setting up four new divisions for commercial lending, consumer loans, equipment leasing, and banking.

The diversification struck some observers as a shade panicky, but last November the group was able to announce fairly satisfactory results, with pre-tax profits of £30.25m, only a little down on the £33.58m in 1989.

By then however Mr Lacy had gone, ejected at the end of February 1990 after a board room coup. Colleagues complained that he had been too concerned with grooming his public image and leaving nitty-gritty detail to others.

Mr Kevin Milner, the former finance director, took over as chief executive. He spoke confidently of plans for the group stretching into the mid-1990s and beyond.

But when the group unveiled its half year results in May, profits had tumbled from £15m to £10m, and the group had been hit by a mortgage fraud. Two weeks ago, James Capel, the brokers to the group, sent jitters through the market by downgrading its profits forecast for the year end from £24m to £13m, on the assumption that NHL would have to make provisions of £39m against bad mortgage debts.

A day or two earlier, Mr Milner had warned of coming redundancies and announced that several of the new subsidiaries were now being merged into a single division.

On the mortgage markets, NHL is these days said to be only a modest lender, nursing its way back to health until the mortgage market recovers.

The sudden loss of confidence by local authorities in the wake of the BCCI crash had little direct link with the group's existing malaise, but it came at a time when it was at its most vulnerable. NHL has not been put out of business by the latest blow, but confidence in it will take a long time to rebuild.

David Barchard

OBSERVER

Eastward Howe

■ King-making seems to be addictive. Sir Geoffrey Howe, part of the troika that toppled Margaret Thatcher last year, is turning his attention to an even more troubled reign.

He is to serve on a high-powered advisory council to the Ukrainian parliament, which displayed unprecedented independence last month by refusing to sign the Union Treaty according to President Gorbachev's timetable. The previously quiescent Ukraine, which is equivalent to France in terms of its 53m population and size, is now regarded as the republic most likely to cause the Soviet Union to fall apart, not the Baltic states.

Realising that independence from the Russian behemoth to the east requires greater contact with the west, Bohdan Hawrylyshyn, a Ukraine emigré and ex-head of the International Management Development institute in Switzerland, seems to have had no difficulty collecting an impressive foreign cast for his new council.

Apart from Howe and one-time Labour minister Shirley Williams, others include Professor Lester Thurow, a former member of the US council of economic advisers; international financier George Soros; Canada's Marc Lalonde; Romano Prodi, ex-president of Italy's IRI; Switzerland's Kurt Furgler; and Saburo Okita, erstwhile Japanese minister of foreign affairs.

The new body, which will probably hold its first meeting in Kiev in September, will advise the Ukrainians on everything from a new constitution to privatising industry. It is expected to operate for up to 18 months and will require between five and 12 days of the advisers' time.

The length of time it has taken Howe to make up his mind may have reflected his concern not to jeopardise Britain's ties with the Kremlin. However, the fact that the Ukrainians were also talking to Mrs Thatcher may have tipped his hand.

One up to you, Sir Geoffrey.

Gray issue

■ The sacking, or non-sacking, of Ian Gray as managing director of the holding company of Tottenham Hotspur football club casts intriguing light on Alan Sugar's first run at taking over a quoted company.

Gray says he was sacked by Sugar, Spurs' new chairman and head of Amstrad, on July 5. But Tottenham insisted Gray was still managing director. When the Stock Exchange inquired about the clash, it was told to take the company's statement at face value.

Being scarcely a person to be mistaken about being sacked, Gray has so far remained at home, pondering his future, changing nappies and pursuing a claim for breach of contract.

All this comes at an awkward time for Sugar and his partner at Tottenham, Terry Venables, who has leapt from the dugout to be chief executive and is the only executive director on site at present.

Having bought 36 per cent of the equity, Sugar and Venables have been forced to extend their 75p-a-share offer to other shareholders. They would prefer to spend their remaining £4.5m on backing a rights issue rather than buying shares.

With the offer closing today, it remains to be seen whether the shenanigans over Gray have deterred shareholders from staying on board.

Ex-broker

■ It would have been better if Exco, the healthy money broking arm of the collapsed British and Commonwealth empire, could have hired another ex-Bank of England type of the stature of Hilton Clarke, to be its new non-executive chairman. But in the event the 62-year-old Carel Mosselmans looks a safe enough choice.

"Have yon noticed how the print comes off on your hands?"

With so much dirt flying around the money-broking world these days, there is a need for a few more upright non-executive figures at the top of the business.

Mosselmans, chairman of Rothschild Asset Management and a director of Coutts, is by all accounts terribly well connected. He also has the advantage of having spent most of his working life in another "people" business, insurance broking, and has not been tainted by any of the Lloyd's scandals. The downside is he was not viewed as a very effective chairman of Sedgwick.

Richard Lacy, Exco's current chairman and chief executive, refuses to be drawn on the significance of splitting his job in two. But it is yet another sign that the B&C administrators are keen to get some of their money back by floating Exco on the stock market later this year.

November – the tenth anniversary of Exco's original £60m stock market debut – would be nice and appropriate.

Taking a gamble

■ Meanwhile over at Royal Insurance, one of the weaker UK composites, the top management reshuffle looks to be happening fast. Only four months after newcomer Richard Gamble leapfrogged Robin Rowland into Royal's new post of chief operating officer, Gamble seems to have consolidated his claim to be the group's next chief executive.

Present incumbent Ian Rushton has been elevated to vice-chairman, and although no one has been designated chief executive, with Rushton now chairman of the Association of British Insurers many of his duties will fall to Gamble.

Michael Dowdy, brought in from Wimpey to fill Gamble's role as finance director, is of an age that that rules him out for the top job, as is Bill Buckley, the group's new US executive director.

While many onlookers think an outsider like Gamble will be better equipped to attack Royal's deep-seated problems, the more conservative would prefer to see a diehard insurance type still in command.

Privy seal

■ In squeaky clean Singapore, where it is an offence not to flush a public lavatory, the search is on for the most pristine public convenience. An original field of 900 entries for the seal of approval has been narrowed to 16, all of which will be visited by two teams of judges.

Prizes include a certificate for the cleaning contractor and US$285 plus a meal voucher for the janitor. The maximum fine for not flushing a public toilet in Singapore is US$570.

Evidently no need for a Citizen's Charter there.

LETTERS

Institutional merger that is an obvious step

From Mr R V Holley.

Sir, The engineering profession may once again have taken e giant leap backwards in its quest for greater respect and influence. In the 1980s, it was the Engineering Council which sought to create a sense of unity by instilling it from the top down. But the numerous member institutions disliked both the concept and the additional cost.

Now we have the sad spectacle of the Institution of Electrical Engineers deciding peremptorily to withdraw from discussions with the Institution of Mechanical Engineers about a possible merger. This was not just a decision against integration but a decision to stop even considering it. The dismay of many members will be heightened by the recollection that it was only a few years ago that the IEE merged with the Institution of Electronic and Radio Engineers to the benefit of both.

Why then is the IEE council so fearful of the next logical step? Does it seek to build a fence around electrics and electronics or is it only the name which is a stumbling block? If the latter, then solutions are not hard to find; this would be the biggest single institution in Europe and its door should be clearly open to others.

But perhaps they have stalled on the traditional division between disciplines and function. The real world is not served by electrics or mechanics but by systems and equipment which encompass both, and often more. Industry and customer alike have been struggling with that integration for at least 40 years. The demands of the products should shape the profession and it might then receive the respect it deserves.

I fervently hope that the IEE council's action is no more than a pause for thought.

R V Holley,
55 Larksfield,
Englefield Green,
Surrey

EC answer

From Mr David Morris.

Sir, Your report on the referendum law for the Czech and Slovak republics (July 20) to decide their future shape and status has lessons for Northern Ireland.

For 20 years the military and politicians have failed to bring peace to the province. Is it not time to give the Community a chance to settle the problem.

David Morris,
Flat 3,
9 Lewes Crescent,
Brighton BN2 1FH

Baltic states undermined by bilateral treaties

From Mr Michael Spicer MP.

Sir, Samuel Brittan's appropriately sceptical article, "Gorbachev's place: et arm's length" (July 18), observes that the Soviet president's "practical willingness to allow early independence for the Baltic states should be e test case. Their annexation was the result of the notorious Molotov-Ribbentrop pacts. It remains invalid in international law and has never been recognised by the west".

Unfortunately, although the first part of the last sentence is correct, the second part has recently been undermined by a series of bilateral treaties which the Soviet Union has signed with leading European states, inclnding Germany, France, Italy and Spain.

Article 2 of the Soviet-German Treaty on Good-Neighbourliness, Partnership and Co-operation, signed by President Gorbachev and Chancellor Kohl on November 9 1990 in Bonn, provides, in part:

"The Federal Republic of Germany and the Union of Soviet Socialist Republics undertake to respect without qualification the territorial integrity of all States in Europe within their present frontiers. . .They regard and will continue to regard as inviolable the frontiers of all states in Europe as they exist on the day of signature of the present treaty."

Interviewed by journalists at the close of the G7 meeting, Mr Nicholas Brady, the US treasury secretary, spoke of the importance the United States attaches to the Soviet Union's permitting the Baltic States to acquire political independence.

It is all the more regrettable that Germany should have signed a treaty with the Soviet Union precluding any alteration to frontiers in Europe.

The full texts of all the bilateral Soviet-European treaties have just been reproduced in a booklet entitled The Soviet Agenda For Europe, published by World Reports.

Michael Spicer,
House of Commons,
Westminster, London SW1

When a recession is a recession — but certainly not a slump

From Mr John Banham.

Sir, Roy Hattersley incorrectly attributes to me (Parliament and Politics, July 19) the statement that Britain is not suffering from e recession but from "a slump".

I said no such thing. In concluding an interview on the BBC Radio 4 Today Programme on Tbursday, the interviewer, Brian Redhead, said: "I find, certainly in the north of England, people have stopped saying recession; they now say slump. They say it is mnch worse than what they went through in 1981-82. Do your members endorse that view?"

In reply, I agreed that CBI members were indeed finding things worse than in 1981-82. That morning I receivsd figures showing that the decline in aggregate sales from 1989 to 1992 will exceed the 12 per cent fall from 1979 to 1981, and is likely to match the 19 per cent fall from 1973 to 1976. But at no time did I state thet Britain is in a slump. Even if the level of output does not improve later this year, the fall in outpnt between 1989-1991 will have been about 1.5 per cent. This compares with falls of 3.3 per cent in the period 1973-75, and 4.2 per cent between 1979-1991.

The key to getting things turned around is a restoration of business and consumer confidence. That is why, in the same programme, I made very clear our view that there needs to be substantial cuts in interest rates to reflect the satisfactory progress that had been made, at least in the market sector, in squeezing inflation out of the economy.

Confidence is fragile enough without Roy Hattersley putting words into my mouth.

John Banham,
director-general,
CBI,
Centre Point,
103 New Oxford Street, WC1

Meaning well

From Mr Sanjay Purohit.

Sir, It would appear from your article, "Confessions of a non-executive" (July 15), that there is little point in having non-execntive directors. Why did the intrepid non-exec not press his case further and why, if he cared for Sketchley's future so much, did he not put himself up for re-election? I think this is another example of British management meaning well but having no strategy to do business well.

Sanjay Purohit,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Counselling need for the unemployed

From the Rev. David Everett.

Sir, Your editorial ebont unemployment in Europe (July 19) is right to call ettention to the different needs of unemployed people: recently unemployed people need to maintain contact with the labour market, long-term unemployed people need to keep skills alive or retrain in new skills.

What both groups have in common is a need for counselling. Yet where does the unemployed person turn for counselling?

What is needed is a proper counselling service for unemployed people, whether recently rednndant or long-term unemployed. Church Action with the Unemployed is looking for partnerships with companies, Tecs, churches, and caring agencies to develop rsdundancy seminers and counselling provision for unemployed people.

David Everett,
executive director,
Church Action with the Unemployed,
45B Blythe Street,
London E2

Standards for social workers

From Mr Simon Randall.

Sir, in your July 22 leader yon rightly drew attention to the critical state of social work provision. A key aspect to this, and one that the government will doubtless be considering in its response to Staffordshire County Council's report on "pindown" practices, is the lack of properly trained and qualified staff who have to deal with situations many of us would find intolerable.

It is ironic that 80 per cent of social workers in residential homes are unqualified and yet it is the children in these homes who are likely to be the most alienated and difficult, and therefore the ones most in need of expert care. At the very least, it is surely essential that an agreed set of minimum training standards should be introduced and that staff be more closely monitored than hitherto.

The feasibility of this highlights another issue. The dominant problem now for London's social services is not a shortage of staff but a shortage of money. Two-thirds of London boroughs are now restricting their recruitment of social work staff.

Simon Randall,
chairman,
Housing & Social Services Committee,
London Boroughs Association,
23 Buckingham Gate,
London SW1

Robert Mauthner

Nuclear age is not over

Start is a small mercy, but further arms cuts could be made without disrupting deterrence

FOREIGN AFFAIRS

In the bad old deys of the cold war, any significant arms agreement was heralded by governments and public opinion as an historic event, marking a turning point in relations between nations on either side of the east-west barrier. That is no longer the case, as demonstrated by tbe relatively low-key reception given to the strategic arms agreement finalised by President George Bush and President Mikhail Gorbachev dnring the Group of Seven summit in London last week.

The old clichée ench as "milestone" and "landmark" were still produced to describe the Strategic Arms Reduction Treaty (Start), which the US and Soviet leaders intend to sign at tbeir meeting in Moscow later this month. But it was more out of e sense of relief that snch a long and complicated process – it has taken 10 years to negotiate the agreement – has at last been brought to a successful conclusion than the result of real conviction that Start was of momentous significance.

It is now generally accepted that while arms control can contribute to the easing of international tension, it is mostly the result, rather than the cause of political *détente*. If it had not been for Mr Gorbachev's political will to improve relations with the US and bring the cold war to an end, neither the 1987 intermediate-range missile treaty nor last year's conventional forces agreement would have seen the light of day. The latter accord, in particular, was the culmination of a political process which ultimately brought abont the destruction of the Berlin Wall, the "2 plus 4" agreements ending the rights in Germany of the four victorious second world war allies, the disengagement of the Soviet Union from eastern and central Europe and the unification of Germany itself.

The Start agreement has therefore come well after the end of the cold war. It is the icing on the cake of developments which have radically transformed relations between the superpowers and the situation in central and eastern Europe. But the agreement will not add qualitatively to the political results already achieved.

Nor will it fundamentally alter the military capabilities or balance between its two signatories, the US and the Soviet Union, unlike the conventional forces treaty (CFE), which eliminated Moscow's overwhelming superiority in conventional arms in Europe. Each side will still be left with a huge arsenal of nuclear missiles, warheads, bombs, heavy bombers and eubmarines.

But we must be thankful for small mercies. Start is the first arms accord under which nuclear weapons and their launchers will ectually be redneed. But the bald statement that each side will cut its overall number of nuclear weapons by between 25 per cent and 30 per cent – down, incidentally, from the original target of 50 per cent – gives e misleading impression. It all depends on the starting point, and that was extraordinarily high. Even after the agreed reductions, both sides will still have 1,600 intercontinental and sea-launched missiles, the US will possess abont 9,000 nuclear warheads and bombs, while the Soviet Union will have about 8,000 of these weapons. Sea-launched cruise missiles and the development of space-based weapons have been excluded from the treaty, as have the French and British nuclear arsenals.

"The result [of the agreement] will be greater stability and a lower risk of war," Mr Bush and Mr Gorbachev said in a joint statement after their Malta summit in December 1989. Yet many military experts believe that the cuts in warheads could have been twice as great, without undermining nuclear deterrence. If the risk of war has been lowered, it is not thanks to the Start agreement but to the new international political climate.

The Soviet Union's military and political withdrawal from eastern Europe, the severity of its domestic political and economic crisis and Moscow's new willingness to co-operate with Washington within the United Netions on responding to threats to international peace such as Iraq's invasion of Kuwait, have all reduced the risk of a large conflict.

Moreover, the US has built up its huge noclear arsenal as a direct response to the Soviet Union's superiority in conventional forces in Europe, which have now been greatly redneed. Not only has the threat of Soviet military occupation all but disappeared, but there is no longer any danger that the west will be engulfed by a moribund communist ideology. Why, therefore, should there be any need for the superpowers to retain any nuclear weapons at all?

There is a clear need for the US and the Soviet Union to improve their capacity for managing crises by devising better political and physical control mechanisms for nuclear weapons

Many will be tsmpted to reply that there is no longer any need in present circumstances. But situations change quickly. The role of defence policy is to be prepared not only for immediate, but for unexpected future threats to national and international security.

While an east-west military confrontation in Europe now appears to be out of the question, Iraq and Yugoslavia are examples of smaller and more localised conflicts which can nevertheless easily ignite a whole region and even spill over into the south-eastern flank of Nato. A disintegration of the Soviet Union, bringing in its wake an intensification of ethnic conflicts and mass migrations, conld have incalculable consequences for stability in eastern and central Europe. What is more, nuclear weapons previously controlled by the Soviet president and e disciplined and loyal high command might fall into much less responsible hands.

At a time when western countries are running down their conventional forces to levels at which a repetition of the recent allied operations against Iraq can no longer be contemplated, and Iraq has admitted to developing its own nuclear weapons, the superpowers can hardly be asked to abandon entirely their ultimate instrument of defence and political leverage.

No rational government or leader could seriously contemplate a conflict fought with strategic nuclear weapons. Yet the certainty thet a noclear first strike would be met with nuclear retaliation and the element of doubt that persists in an aggressor's mind that his opponent might nse nuclear weapons in the last resort, has kept the peace in Europe for more than 40 years.

It is this war prevention role of nnclear weapons which remains unchanged. For the moment at least, it is most unlikely that the two powers which possess the greatest number of nuclear missiles and warheads would even contemplate fighting each other. Yet others, such as Pakistan, Israel and Iraq, might feel much less constrained in their actions if the superpowers, already deprived of adequate conventional forces to undertake foreign operations, were to abandon their nuclear arms as well.

The right recipe for future arme control negotiations is thus not to abandon nuclear weapons altogether. It is to reduce them progressively to much more reasonable proportions than Start has done in a series of less complicated agreements to be appended to the original treaty.

Above all, there is a clear need for the US and the Soviet Union, and indeed France and Britain, to improve their capacity for managing crises by devising better political and physical control mechanisms for nuclear weapons. There is little point in reducing nuclear weapons, if it is still possible for a conflict to break out by accident or miscalculation, even during a period of political *détente*.

Future conditional: US trade relations with the Chinese

By David Hale

The trend of America's relations with the Soviet Union and China increasingly resembles a grammatical table: past imperfect, present tense, future conditional – especially the latter. The US and other Group of Seven countries want to make aid to the Soviet Union conditional on comprehensive economic and political reform there. The US Congress is in the process of enacting legislation which would make the continuation of China'e most-favoured-nation trade status conditional on the resumption of the political liberalisation process whicb came to a halt in June 1989.

The difference between these two debates about conditions speaks volumss about the immense gap which has developed between the Soviet Union and China during the past decade as well as about the complexity of American attitudes towards the return of former state-controlled economies to the global market-place for goods and capital.

The Soviet Union is economically paralysed – suffering the shock of hyperinflation without the therapy of increasing output. This is because producers have neither market incentives nor a coherent state plan to guide their actions.

In China, by contrast, economic liberalisation has proceeded so rapidly that foreign trade is now equal to 16 per cent of gross national product – the same as Japan'e. Although China has privatised only about 35 per cent of its factories, there has been a foreign investment boomlet in Guangdong province, exports have expanded 20 per cent annually since 1987 and there could be a \$10bn-\$15bn trade surplus with the US in 1991.

Meanwhile, the Beijing government's share of GNP has fallen from 34 per cent in the late 1970s to about 20 per cent recently because of tax reforms designed to enconrage ths growth of output and the highly-fragmented fiscal system itself (provinces and cities collect most taxes). As a result of the different speeds at which China's economic and political institutions are evolving, the country increasingly resembles a perplexing mixture of Europe at the end of the Middle Ages and a late 20th-century Asian newly industrialising country. Beijing has not yet accepted democracy, nor created a fully-consistent legal framework for capitalism, but commerce with the rest of the world is rapidly decentralising economic and political power within China.

It is the uneven pace of economic and political evolution which is jeopardising China's trade status with the US. Since 1989, China's mixture of export success and aborted democratisation have caused it to become e focal point for the tensions which characterise America's relations with the Third World. These include the tradition of moralism in US foreign policy, concern about human rights in a non-western society, attempts to control arms sales to Arab countries hostile to Israel, and defining acceptable rules for commercial relations with countries which do not have free-market traditions.

During the cold war, the US government typically divided developing countries into two categories: communist and non-communist. Tbs communist countries were subject to trade sanctions and the non-communist countries were provided with incentives to pursue a capitalist form of economic dsvelopment regardless of whether they were democratic or not.

Today, Washington is increasingly re-defining its relations with the Third World to reflect economic considerations, not merely ideology. In this new order, a snccessful developing country is often regarded as e trade problem while an unsuccessful one is usually a banking problem.

As a result of this commercial re-orientation of foreign policy, the US has become increasingly meddlesome in the micro-economic policies of Asian developing countries with large trade surpluses. It has demanded that they revalne their exchange rates or pursue structural changes designed to encourage imports. As developing conntriss mature, it is not unreasonable for the US to suggest that they should open their markets. But most US congressmen believe that trade access to China should not be solely dependent upon Beijing's adhering to internationally recognised commercial practices. The congressmen also want to use trade policy to promote democratisation within China as well as to punish Beijing for exporting weapons to the Middle East.

Although the intentions of the US Congress in the most-favoured-nation debate are laudahle, comprehensive trade sanctions could be counter-productive to the goals of encouraging freedom in China and restricting its exports of military technology.

The loss of most-favoured-nation status would strike hardest at precisely those those regions of China which have been most aggressively promoting economic and political liberalisation, including Guangdong and Shanghai, while strengthening the position of hardline isolationists in Beijing who want the economy to remain closed. It would also do significant damage to the economy of Hong Kong, where the survival of civil liberties will ultimately depend on China's successful integration into the world economy.

In setting criteria for acceptable behaviour by China, it is important to remember that few developing countries in the modern period have achieved true democracy prior to economic take-off. Taiwan has been under *de facto* martial law since 1949. Sonth Korea and Thailand achieved their economic take-off under military rule. Singapore and Malaysia have been ruled by a single party since independence. The two most sncceseful Latin American economies of the 1980s, Chile and Mexico, were then controlled by the military or authoritarian political parties.

As a result of the diverse nature of the moral, economic and political questions raised by the debate about China's trade status its outcome will set an important precedent for the conduct of US foreign policy in the post cold war era. The US should use conventional trade law to punish China for dumping goods, encourage the development of a corporate code of conduct for China similar to the Sullivan Principles in South Africa, and support democratic reform within China through international political channels.

But if the US Congress attempts to use unilateral trade sanctions to guide political dsvelopments within China, it will neither control the outcome in Beijing nor enhance America'e economic interests in a country where the national income could exceed Japan'e in the early 21st century. Instead, Washington will watch in frustration as economic modernisation forces China to liberalise its political institutions in fits and starts while it continues to enjoy steadily increasing trade with Europe with, Japan and other Asian nations.

The author is chief economist of Kemper Financial Companies in Chicago.

FINANCIAL TIMES
Wednesday July 24 1991

Former president and vice-president of Japanese trading company face prosecution

Six men arrested over Itoman scandal

By **Stefan Wagstyl** in Tokyo

JAPANESE public prosecutors arrested six men yesterday in connection with the scandal involving Itoman, a Japanese trading company which was driven to the brink of bankruptcy through speculative investment in property and art.

The affair rocked the banking community last year and led to the resignation of Mr Ichiro Isoda, the chairman of Sumitomo Bank, Itoman's main bank.

The men arrested yesterday include Mr Yoshihiko Kawamura, Itoman's former president, who was sacked earlier this year. He is accused of improperly acquiring 8.28m Itoman shares between October 1989 and November 1990 with loans obtained from Itoman subsidiaries, in contravention of the Japanese commercial code. Mr Sadamn Takagaki, the former vice-president, was also arrested on a similar allegation. Prosecutors believe Mr Kawamura and Mr Takagaki may have tried to support the share price after details of failed investments were made public.

Public prosecntors also arrested Mr Ho Yong Chung, an Osaka businessman, and Mr Suemitsu Ito, a former managing director of Itoman, and two associates of Mr Ho. They are accused of breach of trust in connection with art deals totalling Y55.7bn ($397m). Mr Ho and Mr Ito sold paintings and other art objects to Itoman at inflated prices, using forged valuation certificates, said public prosecutors, who put the loss to Itoman at Y33.4bn. They are accused of having used 145 forged valuation forms in the name of Seibn Department Stores, a retail group. Mr Ho and two associates are accused of procuring the forgeries.

Under arrest: Former Itoman president Yoshihiko Kawamura going to Osaka prison

Mr Ito, a property developer who joined Itoman only last year, resigned in November when the full extent of tha company's plight became known. Mr Kawamura was dismissed in January after Sumitomo Bank launched a rescue programme. Itoman said yesterday it regretted the arrest of its formar executivee. Mr Toshihiko Takamura, a managing director, apologised for having disturbed the pnblic with the affair.

Yesterday's arrests follow months of work by the Osaka district public prosecutor's office which searched 140 different locations for evidence and interviewed 1,000 people.

● In the latest development in the stock market scandal involving compensation payments made by brokers to favoured clients, the Big Four securities companies yesterday filed revised financial statements for September 1988 to March 1990.

The companies adjusted their returns to show compensation paymants totalling Y128.3bn. The figure for Nomura Secnrities was Y27.5bn, for Daiwa Securities Y22.1bn, for Nikko Securities Y33.1bn, and for Yamaichi Securities Y45.6bn. Nomura paid compensation to 49 clients, Daiwa to 57, Nikko to 59 and Yamaichi to 66.

North Rhine-Westphalia's 4.3% level may force interest rates up

German state reports inflation rise

By **Andrew Fisher** in Frankfurt

FIRST evidence that west German inflation this month has moved above 4 per cent, a level which some economists feel could trigger interest rate rises by the Bundesbank, came yesterday from one of the country's biggest states, North Rhine-Westphalia.

The state, which includes the Ruhr industrial area, announced that its provisional rate of inflation for July – the rate is measured to mid-month – was 4.3 per cent compared with the same month of last year.

This is the biggest monthly increase since December 1982.

Compared with June, 1990, the rate of increase was 1 per cent. The June year-on-year rate was 3.2 per cent.

Because of tax increases, chiefly on fuel, to help finance the high cost of German reunification, the rate of consumer price increases had been expected to go up.

Mr Helmut Schlesinger, depnty-president of the Bundesbank who soon steps up to the presidency, said yesterday that higher wages and indirect taxes had worsened the price climate. He said the Bundesbank was determined to prevent weakening of foreign and domestic confidence in the D-Mark.

Some economists in and outside Germany believe the Bundeshank will have to increase interest rates to maintain confidence in the currency, now that the inflation rate for the whole of west Germany is set to exceed 4 per cent.

The D-Mark strengthened against the dollar yesterday in the expectation that higher interest rates could follow the inflation news. The dollar closed in Frankfurt at DM1.7565 after opening at DM1.7710.

The central bank's next council meeting is not until August 15. But the Bundesbank has made clear its concern about inflation, as well as the rising level of public spending to meet the costs of unity. Last month, the annual inflation rate was 3.5 per cent in west Germany.

The provisional July rate, which economists have forecast at 4.2 per cent or more, will be announced in a few days.

Broadcasters resist EC HDTV standard

By **Michael Skapinker** in London, **Andrew Hill** in Brussels and **William Dawkins** in Paris

THE European Commission's attempt to win industry support for its proposed common standard for high definition television is in serious trouble, according to broadcasters in several countries.

The broadcasters are resisting attempts to get them to agree to a memorandum of understanding promoting D2-Mac, the standard which the Commission sees as a halfway house to HD-Mac, its proposed European high definition standard.

Thomson of France and Philips of the Netherlands, Europe's two biggest consumer electronics manufacturers, say adoption of the European standard is essential to give home-grown producers a head start against Japanese competitors who already broadcast at home using an alternative standard.

However, a leading European satellite broadcaster said that at a meeting in Brussels last week, few television companies were prepared to support the memorandum of understanding, which would require them to make commitments on the number of satellites and transponders devoted to D2-Mac broadcasts. "The memorandum of understanding is looking like a memorandum of misunderstanding," he said.

The broadcasters believe a compulsory D2-Mac standard would restrict the growth of the satellita market and increase the cost of receiving equipment.

The memorandum is being proposed by Mr Filippo Maria Pandolfi, the EC technology commissioner, to supplement a draft directive which is to be put to European governments. He argues it is essential that any directive has the support of manufacturers and broadcasters. He wants the memorandum completed by Saturday and initialled by companies on August 2.

The draft directive, which would require all new satellite broadcasts to be in D2-Mac, is strongly opposed by the UK government, with support from Luxembourg, Spain, Ireland and Denmark. Britain believes that consumers should decide which standard they want to adopt.

The Verband Privater Rundfunk und Telekommunikation, which represents privately owned German broadcasters, has written to Mr Pandolfi saying it was not the task of the Commission "to intervene in the free play of the market by taking regulatory action without any compelling reason for doing so".

Britisb Sky Broadcasting and Filmnet, which broadcasts in Scandinavia, Belgium, the Netherlands and Luxembourg, have also objected to the proposed memorandum.

The French government is one of the strongest supporters of D2-Mac and broadcasters in France said they were less strongly opposed to the memorandum. "The European industry has no single position on this," said Mr Roger-André Larrieu, director of international relations for La Cinq, France's second largest private channel. Mr Emmanuel Florent, development director for privately owned TF1, France's most popular television station, supported the broad principle of the proposals.

British infantry battalions slashed to 38

By **Paul Abrahams**

THE last post will be sounded over some of Britain's most famous regiments after Mr Tom King, defence secretary, yesterday revealed sweeping cuts in the British Army.

Announcing a fundamental restructuring of the British Army before a packed House of Commons, Mr King disclosed that the number of infantry battalions will be slashed from 55 to 38 and the number of armoured and armoured reconnaissance regiments will be reduced from 19 to 11.

Tha cnts, which were slightly less deep than feared, follow an analysis of Britisb defence needs after the end of the Cold War and frenetic lobbying by both the Army and Conservative MPs.

Mr King's plans to reduce the number of infantry battalions to 36 had been attacked before the announcement by senior officers. They claimed the Army was incapable of meeting its commitments with less than 41 infantry battalions. Mr King was also criticised for planning to disband regiments with long and cherished traditions.

Mr King yesterday justified the cuts hy arguing that he had acted on the advice of the Army board. The new Army, be said, would be more mobile and better equipped.

The Territorial Army and support corps will also be restructured. There will also be a substantial cuts among the 38,000 civilians employed hy the Army.

A big redundancy programme for army officers and NCOs will be needed, admitted Mr King. He said he hoped most redundancies would be voluntary, but admitted that some would be compulsory.

Among the cuts, The Life Guards and The Blues and Royals, famous for their duties outside Buckingham Palace, will be merged, although they will keep their identities.

Four of Scotland's seven regiments will be merged, as well as some county regiments in Cheshire, Staffordshire and Gloucestershire.

In Northern Ireland, the Ulster Defence Regiment is to be combined with the Royal Irish Rangers. Recruits from both north and south of tha border will he eligible to become members of the new regiment. Some battalions will also serve outside the province.

The announcement met with predictahle ontrage from Northern Ireland's Democratic Unionist Party. The Rev Ian Paisley, leader of the party, said there was "deep outrage and concern" in the province.

End of Cold War brings cuts to Army, Page 8

Bush dilutes proposals for chemical arms control

Continued from Page 1

obliged only "to allow the greatest degree of access taking into account proprietary rights, its legal obligations and national security."

The treaty language also appears to dilute the principle of on-site inspection. States which find themselves challenged can opt for aerial inspection; or observation posts in the form of a tower or ladder outside the perimeter of a facility; or the use of sensors to pick up traces of chemicals.

US officials argue that language which was too severe on verification would make it mnch more difficult to win support among Third World countries which tend to view chemical weapons as the poor man's atomic bomb.

But the final language is significantly weaker than the proposal for strict verification first introduced by Mr Bush, then vice president, at the chemical weapons convention in April 1984.

In his speech, Mr Bush declared that the best way to ensure that signatory states had confidence in a global chemical weapons ban was to support "open invitation" inspections. The US was willing, therefore, to "open for international inspection on short notice all of its military and government-owned or government-controlled facilities."

Tetra Pak faces heavy fine after breach of EC treaty

By **Andrew Hill** in Brussels

TETRA PAK, the Swiss packaging group, is expected to be fined heavily hy the European Commission today for abusing its dominant position in the European Community market for packaging machinery and cartons – its second breach of the EC treaty in 10 years.

Commissioners are expected to decide on the level of the penalty at their meeting this morning.

It could exceed the previous record fine of Ecu47m ($52.6m) imposed last year on Imperial Chemical Industries of the UK and Solvay of Belgium for operating a cartel in the European soda-ash market.

Last year, Tetra Pak's total sales amounted to SFr6.1bn ($3.86bn).

The Commission inquiry into Tetra Pak's alleged abuse of its dominant position began in the early 1980s after complaints that it was forcing customers who used its packaging machines to buy its cartons as well.

"The practice [of making one deal conditional on another unconnected purchase] is expressly mentioned in the Treaty [of Rome] as being a case of abuse," said one senior official in Brussels yesterday.

The official said the offence had been aggravated because Tetra Pak had already broken the treaty rules on abuse of a dominant position. The Commission rebuked Tetra Pak after a 1988 investigation but decided not to impose a fine on the Swiss company because it wanted to establish its legal position.

That position was unsnccessfully challenged by Tetra Pak in the European Court last year.

Commission officials said the long-running investigation was extremely sensitive. "It's really too delicate to comment on in advance of a decision," said one.

Tetra Pak, which has just received clearance from the European Commission for its agreed bid for Alfa-Laval, the Swedish dairy and food processing equipment group, said it would wait for a Commission decision before commenting.

However, the Swiss-based, Swedish-owned company said it believed the Commission inquiry applied only to its operations in the Italian market and not to the rest of the European Community, and said there were no clear links between the two Commission inquiries.

Tetra Pak, which invented tha well-known tetrahedron drink carton in 1951, disputes the terms of reference of the investigation, claiming the Commission has defined the packaging markat too narrowly.

THE LEX COLUMN

A short trip for the lifeboat

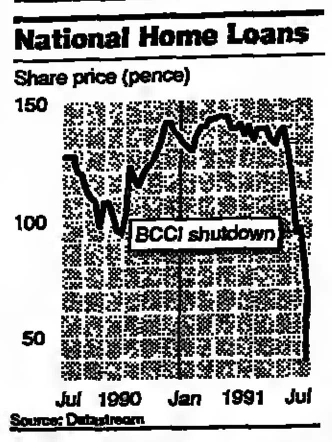
Despite the snggestive parallels, it is not quite clear that the rescue of National Home Loans means a re-run of the secondary banking crisis of 1974. NHL is unusual in having been trapped between two forces: the decline of the mortgage market and the shntdown of BCCI. Both are serious issues for the UK financial system, but with luck they ought not to intersect. Some of the building societies use the money markets in a similar fashion to NHL; bnt if the BCCI-inspired flight to quality were to hit the building society network, the financial system would be in far worse trouble than is at present imaginable.

Granted, there is something of a lifeboat feel abont the clearing banks all clubbing together to help NHL out. But there will be some attractions in seeing off a competitor in tha mortgage market while lending it up to £200m at a handsome margin. Meanwhile, the same flight to quality means the clearers will enjoy finer terms on their own money market borrowings.

The future of NHL itself looks extremely murky. The company argues that the new facility is a mere bridging loan, to be repaid quickly by securitising more of its mortgage portfolio. Even if its funding crisis can be solved that simply, it still faces separate problems of profitability. In the past month its shares have fallen from 138p to 38p. Half the fall took place before the BCCI sbutdown. The most likely solution now looks to be an orderly work-out of the mortgage book, with tbe unwinding of its more doubtful portfolio of diversified loans. Between the two, there may be something for shareholders at the end of the process. It would not do to count on it.

FT-SE Index: 2,587.9 (+29.4)

National Home Loans



Source: Datastream

Markets

Yesterday's 29-point jump in the FT-SE finally establishes the break-out from the narrow trading range of recent months. Based as it is on reasonably persuasive evidence on the UK economy, the move seems trustworthy enough, particularly since it is accompanied by a sharp recovery in trading volume. At the same time, there is no sign of the stampede ont of casb whicb was seen six months ago, since institutional liquidity is now fairly low.

The obvious question raised by the optimists is whether this signals a second leg to the UK bull market which began in January. In its first two months the market rose 22 per cent, then went sideways for the next four. But unless the total return from the market for the year as a whole is to be quite out of the ordinary – and higher than in the comparabla recovery years of the early 1980s – it is hard to see the market rising by more than another 5 per cent or so by the year-end.

The qnestion might rather be raised of when it is time to buy second-line stocks. Yesterday's close on the FT-All Share still left it 4 points below its 1987 all-time high of 1,238.5. Small company shares have taken a pasting relative to FT-SE stocks for nearly three years now, except for a brief period in February and March this year. At some point, if the market really is confident ebout the economy turning, it is going to have to put that right.

Reuters

The days of Reuters as a dizzy growth etock have slipped into the mists of time. But yesterday's interim figures at least demonstrate the gronp's resilience when the going gets tough. Underlying operating profits, for example, were roughly £10m better than most expectations, stripping out the £8m of currency gains and £15m of redundancy provisions and write-downs. With capital spending no higher than depreciation and working capital reductions more or less funding the dividend this time round, pre-tax profit converted almost 100 per cent into cash flow.

For all that, it is difficult to get too excited about the shares while the medium-term outlook is so uncertain. There may be genuine competitive reasons for giving nothing away on the launch timing of Dealing 2000 (phase two) and Glober; but since these products are likely to account for much of the growth in the 1990s, investors are having to take an awful lot on trust. The outlook for the existing business is none too steady either; the growth in net new orders, while still positive, continues to slow.

There is some evidence of a more purposeful approach to costs and every reason to believe that the new chief executive's relatively gloomy prognostication for revenue growth next year should not be applied to profits. Transatlantic enthnsiasm, however, continues to wane with less than 37 per cent of the shares now held in American Depository Shares, against more than 45 per cent at the end of 1989. The price earnings relative is at an all time low, and deserves to be.

UK property

It is a brave man who calls the bottom of the UK property market, certainly on the basis of yesterday's £67m sale of business park developments by Arlington Securities to Equitable Life. Coming hard on the heels of Friday's £41m sale of industrial estates by Slough Estates to a so far unidentified purchaser, the deal is bound to be seen in some quarters as a sign that the market is finally rising from the dead.

Investors can certainly derive some encouragement from the fact that neither seller is distressed. Arlington has British Aerospace at its back. Slough has recently had a rights issue, though it also has big capital commitments this year and a £180m convertible to ponder in 1993. The indications are, moreover, that the Slough transaction was above book valne, while Equitable is buying the Arlington units on what looks like a reasonably healthy initial yield range of 8.25 to 9.25 per cent.

All this seems reasonably consistent, however, with proven institutional interest in smaller retail properties, industrial units of a certain type and high quality well-let business parks such as Arlington's Aztec West. Such commodities have not recently been in plentiful supply. It is quite another thing to conclude that the buyers' strike is coming to an end where sbopping centres and central London offices are concerned. The recovery, when it comes, may well reflect this differentiated pattern rather than the across the board increases in value which were a feature of the mid 1980s.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	31	88	Berlin	S	22	72	Caracas	C	29	84	Faro	S	24	75	Islamabad	F	33	91
Algiers	S	31	88	Biarritz	C	22	72	Casablanca	S	26	79	Florence	S	33	91	Istanbul	F	26	79
Amsterdam	S	25	77	Bombay	F	30	86	Chicago	S	22	72	Frankfurt	S	28	82	Jakarta	C	32	90
Athens	S	34	93	Bordeaux	S	29	84	Cologne	S	27	81	Geneva	S	29	84	Jersey	C	21	70
Bahrain		-	-	Boulogne	F	27	81	Copenhagen	C	17	63	Gibraltar	S	29	84	Johannesburg	S	19	66
Bangkok	C	34	93	Brussels	S	27	81	Corfu	S	32	90	Glasgow	C	15	59	Lima	C	18	64
Barcelona	S	28	82	Budapest	S	26	79	Dallas	S	23	73	Helsinki	F	19	66	Lisbon	S	24	75
Beirut	S	29	84	Buenos Aires	F	13	55	Dublin	C	15	59	Hong Kong	C	30	86	London	F	25	77
Belfast	C	15	59	Cairo	S	33	91	Dubrovnik	S	29	84	Innsbruck	S	28	82	Los Angeles	C	17	63
Belgrade	F	27	81	Cape Town	C	14	57	Edinburgh	C	19	66	Inverness	C	18	64	Luxembourg	S	27	81

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	24	75	Milan	S	29	84	Nicosia	S	29	84	Salzburg	S	26	79	Tenerife	S	26	79
Madrid	S	33	91	Montreal	C	17	63	Oporto	F	21	70	San Francisco	C	14	57	Tokyo	S	33	91
Majorca	S	31	88	Moscow	C	22	72	Oslo	F	19	66	Seoul	C	27	81	Toronto	F	24	75
Malaga	S	26	79	Munich	S	26	79	Paris	S	30	86	Singapore	F	29	84	Tunis	S	36	97
Malta	S	31	88	Nairobi	C	21	70	Peking	S	33	91	Stockholm	F	20	68	Valencia	S	32	90
Manchester	C	20	68	Naples	S	32	90	Prague	S	24	75	Strasbourg	S	29	84	Venice	S	28	82
Manila	R	30	86	Nassau	C	33	91	Reykjavik	C	13	55	Sydney	C	11	52	Vienna	F	25	77
Melbourne	F	8	46	New Delhi	F	32	90	Rhodes	C	30	86	Taipei	F	34	93	Warsaw	C	16	61
Mexico City	C	25	77	New York	F	28	82	Rio de Janeiro		-	-	Tangier	S	24	75	Washington	S	27	81
Miami	S	26	79	Nice	S	28	82	Rome	S	29	84	Tel Aviv	S	30	86	Zurich	S	29	84

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

COURIER AND EXPRESS SERVICES

War and recession have stalled market growth in Europe and the short-term outlook for industry revenues is bleak. Yet the break-up of Europe's postal monopolies may be on the way and the market could eventually take off as it did in the US, writes Paul Abrahams

A setback in Europe

RETRENCHMENT and rationalisation have struck the European courier and express service industry. The twin afflictions of war and recession have *stalled market growth* and brought an end to the frantic acquisition activity that marked the sector in the late 1980s.

The industry, which as late as early 1990 was enjoying *growth rates of 30 per cent a* year, now faces market stagnation. Although large carriers insist the sector is still growing slightly, what little growth exists has often been achieved only at the cost of falling yields.

The short-term outlook for revenues is bleak. Profit margins have crumbled as many companies find it difficult to enforce price increases. Discounting is rife. Some companies such as UPS of the US – which used never to offer flexible pricing – have adopted the practice. *One carrier describes* the level of discounting as "horrendous", explaining that on some products yields have fallen by 25 per cent.

Income has also been hit by bad debts, particularly in the UK. Customers have been downgrading their purchases, putting cost rather than speed at a premium.

The effects of sluggish volume growth and falling yields have been exacerbated by the companies' high fixed costs. *Many large couriers have been* particularly stretched financially by heavy investments in European hub-and-spoke air networks.

"All the big players have been investing in air net*works," says Mr John Mullen,* chief executive of TNT Express Worldwide, the international division of the Australian group which has 17 BAe 146 whisperjets based in Europe. "The problem is that once the *infrastructure is in place,* the aircraft have to be filled." TNT and Federal Express, the US group, are understood to be holding talks about sharing air capacity in Europe to reduce costs.

With the large groups having difficulty in filling capacity profitably, the sector is now *pausing* to *catch* its breath. Acquisition programmes have been slowed or halted. TNT has even started to dispose of businesses, selling its stake in Seattle-based Airbourne Freight which was intended to have been the company's bridgehead into the US. DHL is also trying to sell Elan, its loss-making UK division.

The exception, UPS, is still expanding, having made a slower start than its competitors at setting up a pan-European network. After acquiring Prost Transports in France this month, the group is looking for a domestic operator in the UK. It has already acquired busi*nesses in Italy and Spain.*

Meanwhile, the groups are finding themselves under increasing pressure from express services supplied by the European post offices and PTTs. Both Parcelforce in the UK, and France's *Chronopost* have been particularly aggressive in marketing their operations. The PTTs are also selling international services under their EMS marketing banner.

Hit by slowing *revenues*, a high cost base and fierce competition, the independent companies are not reaping much profit from their European investments.

DHL and TNT claim they are not operating in Europe at a loss, although TNT says it is only just profitable. Federal Express, however, admits it is still incurring losses. UPS, which has only recently started acquiring businesses *outside* the US, says it is losing money but not as much as expected. It intends to break even by 1994.

Such poor results in Europe have brought little comfort for the groups, most of which have *been reporting lower profits* and even losses. The most financially precarious is TNT, which recently reported a A$89m loss for the nine months to March 31. Shares in the company have been affected by the group's heavy debt, poor results and exposure to the aircraft leasing market.

Some companies have been forced to rationalise their business. Federal Express has made 1,850 redundancies and now operates its UK-based international operations out of a single hub. TNT has merged all its *international* divisions and made 300 redundancies.

The damage among smaller domestic groups has been even more traumatic. Securicor's Omega Express security and parcel division has reported its profits *halved*. Several groups, among them Phoenix Express, Eagle Star Express, Neill Clark and Trackernew, have ceased trading.

In the longer term, the large groups plan to boost volumes by offering pan-European contract logistics operations involving the warehousing and distribution of high value items. Mr Larry Long, vice-president for Europe at UPS, sees logistics and the expansion of just-in-time man*agement as* the *one of the* biggest areas for expansion in Europe.

"Supply-chain management will be the big management opportunity of the 1990s," he says. "About 80 per cent of large multinationals in Europe expect to change their distribution practices in the next few years in order to prepare for the single market. We are looking to provide the sort of logistics services they want."

The larger companies intend to avoid *discounting in* the future by adding value to their products through investment in information technology. They believe such investment – the *only* area where *all* the large groups are still committed to expenditure increases – will prove a vital factor in providing competitive advantage.

The advantage of barcode-based technology is that it adds value by allowing the express companies to track and trace parcels anywhere in the world, *inform customs* of their arrival, and warn clients if a package is going to be late. It also allows the groups to assess their own performance and take cost out of their services by *identifying* where blockages and delays have occurred.

"Information technology is probably the driving component of expense over the next decade," says Mr Mullen at TNT. "We have enough aircraft and depot capacity to handle growth for the next few years and we don't anticipate repeating the sort of capital expenditure we have made over the last few years. We have reached a natural break in everything but technology."

Such equipment does not come cheap, however. Although UPS refuses to break down its investment geographically, it says it has spent $1bn a year for the last three years on information technology, and expects to spend similar sums over the next five years. "Technology is expensive," explains Mr Long. DHL says it is spending about $50m a year on European information technology.

In spite of present difficulties, the companies believe their European subsidiaries have a bright future. Once volumes and yields have increased to cover fixed costs, the groups expect to move quickly into profit. The European market is only a quarter that of the US which is worth more than $20bn a year. And the market could be given a greater boost by the break-up of the postal monopolies presently enjoyed by the European post offices. The European Commission is expected to publish a green paper on the subject this summer.

The possibility of new *entrants taking advantage of* any upturn is also remote. "The capital requirements to set up the infrastructure are so great that it will prove impossible to make a standing start in Europe. The barriers to entry will be *insurmountable*," says Mr Thomas Oliver, vice-president of international sales at Federal Express.

"We are waiting for the market to take off as it did in the US," explains Mr Mullen at TNT. "Some domestic markets in Europe are strong, but internationally, the market is still small. In the long term, the European market is potentially very lucrative."

IN THIS SURVEY

(Above) Royal Mail International is spending £3m this year on tracing and tracing facilities

(Above) Larry Woaik of Scan Carriers: "credit control is our biggest problem"

Editorial production ..... Gabriel Bowman
Illustration ..... Robin MacFarlan
Design ..... Robin Coles

COURIER AND EXPRESS SERVICES 3

SCHEDULED AIRLINES

The search for niches in the long-haul market

HAVING LOST much of their short-haul and airfreight traffic to the door-to-door express services operated by integrated carriers, scheduled airlines are now tending to focus most of their efforts in that sector on the international long-haul market.

Even there, though, airlines are generally still finding it difficult to develop a successful niche. The obstacles to that development include the fact that the airlines need to work with other parties such as freight forwarders to provide the full door-to-door service generally demanded by shippers. Such partnerships often prove difficult to establish and maintain successfully.

Now, in a new approach to that problem, German airline Lufthansa and Japanese carrier Japan Air Lines are seeking to develop express business opportunities in conjunction with air express company DHL International in which both bought shares last year. Lufthansa and JAL each own a 5 per cent interest in DHL with options to buy up to 25 per cent each over the next year or so.

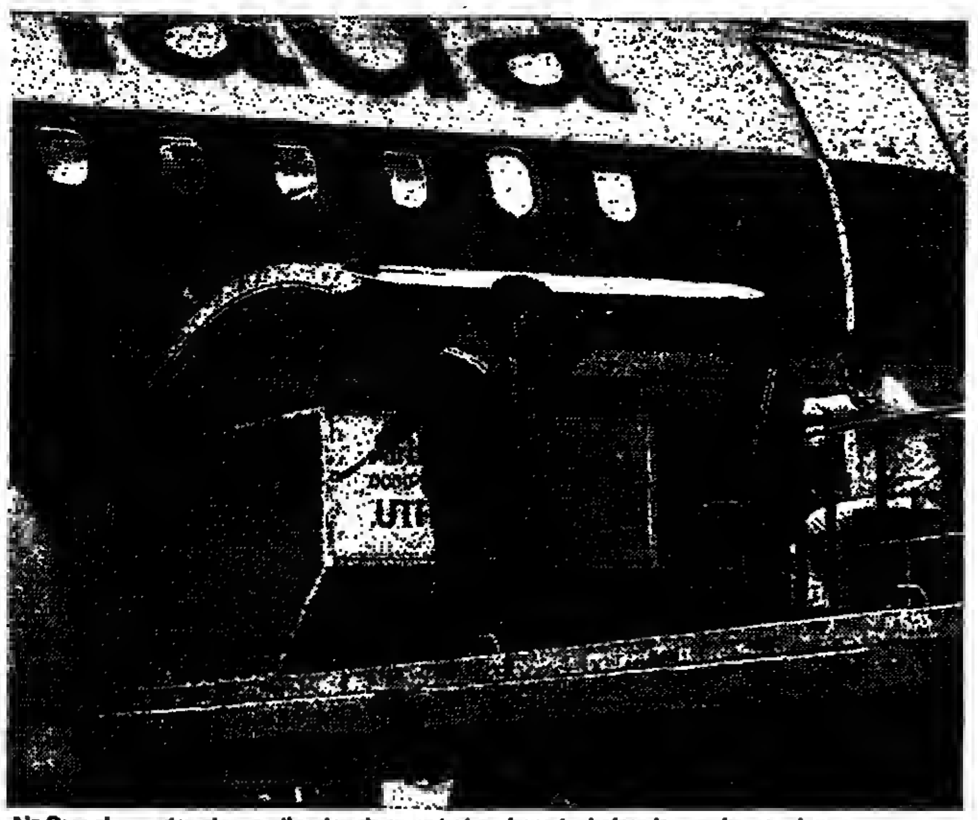
First signs of closer co-operation between those airlines and DHL are expected to become apparent fairly shortly. The companies are understood to be working on the development of airport-to-door delivery services for traditional airfreight traffic.

DHL has in fact handled some larger airfreight business for several years through an operation called Off-Net. That has involved responding to specific requests from customers and then working out prices for the movement with a suitable airline.

It appears that side of the operation is to be expanded. Mr Brian Fitsall, DHL's Brussels-based director of business developmsnt, recently confirmed that airfreight airport-to-door services are among a number of projects currently being worked on by a committee of DHL, Lufthansa and JAL personnel.

However, other airlines are less enthusiastic about establishing close links with one particular integrator. British Airways Cargo, for example, believes such a move would make it much harder for the carrier to follow its current avowed policy of developing wholesale services for a broad range of customers.

Last year, BA expanded its Speedbird range of wholesale express services to include a new airport-to-door delivery prodnct. Covering some 120 countries worldwide, it is targeted at freight forwarders, domestic express and messenger companies hoping to compete in international express markets. Two levels of service are available, Timed Delivery and Priority Delivery. By choosing the former, users can determine the time when their shipment arrives at destination.


Air Canada — stepping up the development of on-board wholesale courier services

BA has also bought a minority stake in London-based international courier FRX and transferred its retail express husiness to that company. Thus, BA claims, it is left free to concentrate on developing its fast-growing Speedbird wholesale operations.

Following a similar path is Canadian airline Air Canada whose airfreight operations are headed by Mr Geoff Bridges, a former managing director of BA Cargo. The Canadian carrier launched an international on-board wholesale courier service on some transatlantic rontes snch as London-Toronto/Montreal late last year in conjunction with Montreal-based F B On Board Courier Services.

Over the next few months, says Mr Bridges, now vice-president, cargo for Air Canada, the airline intends to add similar services between Canada and three other key European points – Frankfurt, Amsterdam and Paris – and extend coverage westwards into the Pacific via Los Angeles in the US.

"We might look to do some work with other carriers in Europe and then link down into the Pacific by interfacing with one of the wholesale couriers operating there," he adds.

Plans are also being finalised for expansion of a Canadian inter-city service run by the airline's wholly-owned subsidiary company, Dynamex. The aim is to extend that operation to cover the whole country and then progressively move it into the US. The intention, says Mr Bridges, is eventually to link in Air Canada's international on-board courier services with the Dynamex same-day operation in North America.


Fitsall: confirmation

"By offering an airport-to-airport wholesale product using F B, our own brokerage and Dynamex, we can encourage the top end of the forwarding business to use that rather than just giving it away to an integrated operator. And there must be an awful lot of non-international courier companies who could use that sort of facility," he claims.

Air France, on the other hand, is still keen to develop a role in the international express door-to-door delivery market and is estahlishing joint venture subsidiary companies in various key markets. Last year, for instance, the French national airline set np the first such company, Sodexi UK, as the British arm of the airline's express subsidiary in France, Sodexi SA (Societe pour is development dn fret express international). Sodexi UK is jointly owned by Sodexi SA and Birmingham-based WPS (World Parcel System).

Sodexi SA provides a door-to-door service called Mach Plus which caters for the international shipment by air of parcels np to 60 kilos within Europe and 30 kilos to other destinations such as south-east Asia. The service is available to more than 30 countries.

Recently, the Mach Plus product range was extended to include an airport-to-door service from the UK. That option is designed to appeal particularly to freight forwarders who might have an express requirement for some of their traffic.

A more typical international airline industry development in the express sector involved the introduction this year by Singapore Airlines of a new airport-to-airport express cargo service called Swiftrider. This offers guaranteed space and nplift once a booking has been confirmed, late close-up time for acceptance of cargo and priority handling/clearance.

"The airport-to-airport cargo express service means freight forwarders are being offered reliability plus the added advantages of late acceptance and quick delivery of cargo at destination. For example, any customer with an urgent shipment can get his cargo accepted as late as one hour before flight departure," says Mr Huang Cheng Eng, SIA cargo manager.

Phillip Hastings

Phillip Hastings on global logistics operations

The flexibility factor

EXPRESS COMPANIES initially made their mark on the distribution scene by providing fast, time-definite parcel and freight delivery services. There was little operational flexibility and customers had to use one of a number of set products on offer.

However, with distribution requirements becoming sver more complex and sophisticated in the last few years, express compsnies have responded by steadily broadening the scope of their services to provide more wide-ranging logistics management operetions.

Federal Express and TNT, for example, already have separate divisions handling the development of contract distrihution/logistics business. TNT moved into that field when it set np a UK contract distribution division in 1985.

Around the same time, FedEx bought UK-based contract distribution company Systemline. Both have since gone on to develop similar operations in other parts of Europe and are now increasingly looking to develop global logistics operations.

Meanwhile, other leading international express companies such as DHL and United Parcel Service (UPS) – and some domestic service operators – are also now increasingly working with customers to expand the scope of their distribution operations.

According to Mr Kevin Appleton, sales and marketing dirsctor for Lynx, the UK domestic express delivery company, there has been a blurring of the distinction between parcels distribution and contract distribution.


Appleton: blurring

Operstional logistics challenges cannot always be neatly defined into a hanlier's methods of supply. Usually a logistics problem shonld be approached with an open mind rather than one which immediately endeavours to classify it in terms of numbers of trucks or parcels, he says.

The main recent development for FedEx in that context has involved a move this year to integrate its previously-established logistics operations in the UK, mainland Europe and the US to form one organisation, Federal Express Business Logistics. Future plans include setting up more "Partsbank" international distribution centres along the lines of a 30,000 sq ft facility near Leicester opened at the end of last year and others established in Amsterdam and the US.

Explaining the partsbanks concept, Mr Robert Kelly, marketing director, Enrope for FedEx Business Logistics, says each centre offers usere a detailed menu of international logistics services with a set price for each service. Clients can pick ths services they need and pay as they use them.


Kelly: detailed menu

Users can rent pallet space by the week in a bonded storage area, call off goods to be picked and despatched, to or from anywhere in the world. Partsbanks are designed to link into FedEx global and domestic carrier networks and are fully equipped to handle every aspect of import/export administration, he claims.

> **Companies' sales and procurement are organised on a pan-European or global basis. They want the same on distribution**

Also taking the Partsbank route towards meeting customers' global logistics requirements is air express company DHL. The company set up its first facility in Bahrain last year and is now hoping to establish similar operetions in other parts of the world. The Bahrain Partsbank is used by DHL to hold a central stock of parts and materials for customers ready for express distribution in the Middle East Gulf region as and when required.

As a more general example of the way that express companies can meet customers' general distribution requirements, DHL cites the work it does on bshalf of Belfast-based CV Branded Menswear, a subsidiary of textiles group Coats Viyella.

The latter imports some 130 tonnes of fabric per shipment from its source supplier in Japan. Although the bulk of those supplies is transported by sea, smaller pre-production shipments of up to two tonnes are transported in advance to enable salesmen in Northern Ireland to begin selling before the main consignment arrives.

Previously, CV Branded Menswear had used traditional airfreight for its sample shipments but delays caused by clearance difficulties at London's Heathrow Airport, followed by onward road movement to Northern Ireland, meant a two-week transit time, said a DHL spokesman.

By switching to DHL's integrated system for direct, door-to-door delivery from Japan to Northern Ireland, the company now has controi over transit times, guaranteeing delivery in three to seven days, depending on the requirement.

Another major factor influencing the development of express company logistics operetions is of course the European Community single market. Mr Brian Bolam, director of TNT Contract Logistics Europe, points out that according to the latest available figures, only 5-7 per cent of existing EC gross national product involves Community cross-border traffic.

That figure, he says, is predicted to rise to 15-25 per cent within five years, a development which will create an upsurge in demand for international distribntion requirements as more companies adopt a pan-Europsan approach to their logistics requirements.


Bolam: pan-Europe approach

Companies are increasingly beginning to operate on a pan-European or global basis. Their procurement and sales are being organised in that way so they are looking for the sams with their distribution, he adds.

The latest example of that thinking in practice at TNT involves the company's recent launch in the US of a division called TNT Fulfillment USA. The new operation has been set up to meet the needs of US companies interested in developing marksts in Europe by offering them total supply chain management.

Services available to US customers include the provision of mailing lists, creative artwork, direct mail, exhibition removal, international reply paid option and customer service/order entry as well as collection and consolidation, freight distribution to Europe by sea or air, customs clearance and bonded warehousing. Other services offered range from full picking, packing, labelling and pre-assembly to billing, debt collection and after-sales activities.

The growing demand for tailor-mads European distribution packages is confirmed by Mr Tony Miller, UK-based operations director for the European integrated express delivery activities of US forwarder Air Express International. Increasingly, business is no longer about single consignment movements. It is about the assembly of consignments to be delivered to various points across the destination country, he claims.

Janina Walker on the travails of the UK domestic parcels industry

Customers are trading down as recession calls the tune

IN THE increasingly uncertain world of the £1.5bn UK domestic parcels industry one thing is for sure: the marketplace is jumpy and the recession is calling the tune.

Sliding traffic volumes and crumbling profit margins are extracting a heavy price as a flurry of sell-offs and acquisitions take place and once-healthy companies with turnovers running into millions fold up.

Even the top player, which claims a 30 per cent stake of the express parcel market, has not been immune: Parcelforce, which handles 1m parcels daily and is owned by the Post Office, announced last month that it had made a £75m loss.

British Rail's express service Red Star, billed as No 1 in the same-day delivery arena, reported a £9.2m loss on a turnover of approximately £70m.

And Securicor's Omega Express security and parcei division has borne the brunt of tight margins with half-yearly figures showing profits more than halved to £4.9m.

Operators are being hit by trading down as increasingly cost-conscious customers move away from expensive premium express services to cheaper ones with longer delivsry times.

The worsening economic climate has also affected voiumes which are estimated hy industry watchers to have dipped between 8 and 15 per cent.

Data collected by Mr Martin White, a logistics expert with management consultants Coopers & Lybrand Deloitte, reveal that, after a first decade of unprecedented growth, the industry is now suffering badly.

Mr White says: "Our analysis of receiverships in the road based transport sector showed that 15 per cent of failures in the industry were in the parcel and courier category. That is quite a high failure rate."

Companies no longer trading as a direct result of the recession include Eagie Star Express, Neill Clark and Trackernew, each of which had a £5m-plus turnover.

He adds that the 1990 acquisitions revsaled a growing trend for small companies to buy ont operators smaller than themselves. "They are bargain hunting as people bail out," he explains.

Overall, the industry has experienced a fall-off in volumes of between 8 and 10 per cent. Although some companies may still have the volume, a trend of trading down by customers away from the more expensive express services is likely to hit revenues, he says.

> **A growing trend for small companies to buy out operators smaller than themselves. "They are bargain hunting as people bail out"**

Mr Paul Jackson, chairman of Triangle, specialist management consultants to the freight and transport industry, estimatss volumes are down across-the-board by between 10 and 15 per cent.

According to Mr Jackson, the bubble has burst for larger operetors which used to make considerable profits from premium services. In the 1980s the key markers for the industry was urgency but in the 1990s it is costs, he says.

Other key players in the UK domestic parcel market include TNT, Parceline, Federal Express, Lynx and United Carriers with minor roles played by express carriers UPS and at the moment, DHL, which is currently negotiating the sale of Elan, its loss-making UK operation.

Lynx – which was formed in 1987 by merging the National Carriers and Roadline divisions of the National Freight Company – has reported a year-on-year volume slide of between 11 and 12 per cent.

Howevsr, Mr Alan Soper, managing director, claims that volumes have dropped among some of Lynx's competitors by 20 per cent. "There are certainly no more companies coming into the market as capacity has contracted," he adds.

Federal Express, the US air express carrier once noted for its acquisition activity, has this year axed 1,850 jobs and sold off its express courier arm Rapid Despatch as it retrenches back to core small-consignment business.

According to Mr Gary Roth, UK marketing managing director, the restructuring plans were brought forward as the worsening economic climate "has put a lot of pressure on Federal Express," he says.

While Federal Express has shed one company, Parceline – part of the Australian Mayne Nickless transport group – has acquired two.

Last October, the company took over recession-hit Conveyor Quick and Reds Transport, with annual turnovers of £7m and £1m respectively.

Mr Robin Davies, Parceline marketing gsneral manager, says the company, whose main focus is high street deliveries, believes consolidation is inevitable as the recession shakes out the weaker carriers.

Parceline, he says, has experienced only what he describes as "the normal seasonal volume loss of 10 per cent so far, unlike soms of its competitors.

"Ws have been asking ourselves why and our answer is that our customer base doesn't inclnde those affected by the recession. We are handling goods such as stationery – the sort of items people are still buying."

Mr Michael Howe, managing director of United Carriers, says his company hed suffered volume losses of 3-4 per cent.

But he admits: "People are now looking very hard at premium services and it's true that our two- to three-day services are far stronger at the moment."

Conversely, TNT Express UK has, according to Mr Tom Bell, general manager, experienced a year-on-year 7.6 per cent volume increase as well as an 8 per cent weight loss.

Mr Bell explains: "In a recession the business pattern changes and peopls want smaller consignments more often because they don't want money tied up in stock.

"Reliability is the key to this and I believe a lot of operators are falling down because they are unable to give it."

Mr Bell says TNT Express UK had ended its financial year in June on a high note with year-on-year revenue growth of 10.33 per cent and profit up hy 8.85 per cent.

Phillip Hastings looks at security measures

Reducing the risk

INTERNATIONAL EFFORTS to tighten up general air transport security have had a significant impact on the courier and express industry.

Great emphasis is now placed on the concept of the "known shipper" – in other words, courier and express companies must know the source of any particular shipment – backed up by the increased use of detection equipment such as X-ray machines.

The risk of courier and express consignments being used by terrorists as a means of getting explosive devices on board aircraft was highlighted by Mr Teun Platenkamp, chairman of the Association of European Airlines' security committee, at last month's World Express Freight and Distribution conference in Amsterdam. "There seems no doubt that terrorist groups will attempt to conceal explosive devices in cargo, express courier packages or mail," he warned.

Meanwhile, the UK Transport Department has just issued a second circular on security for the airfreight industry. It repeats the advice in a circular at the time of the Gulf war when a 24-hour hold on international airfreight shipments flown out of the UK was introduced, unless the consignments had been subjected to X-ray checks or a hand search. In addition, that circular emphasised the need for everyone involved in airfreight activities to check the origins of all consignments.

The main change in the latest circular is a suggestion that, where airlines agree, an airwaybill coding system supported by the British International Freight Association could be used as an alternative to other written confirmation of the origins of a shipment.

Later this year, the department is expected to publish a legally-enforceable directive on air transport security. However, many important questions have yet to be fully answered. For example, who will define the permanent security standards required? What will be the effect of such measures on companies involved in that sector? And how will the department consult with the air freight industry on such matters?

A registration list for airfreight companies, particularly freight forwarders, may also be established. Such a list would make it easier for the department to circularise companies with advice and directives, as well as to check whether they are complying with security requirements.

Mr Charles Manetta, founder of TrainingTeam, a company which specialises in organising training courses for the air transport industry, believes such a move could have significant implications for the general airfreight business. "It is all a bit speculative at the moment but if the registration idea is introduced, it could be that airlines will accept freight from forwarders on the list without taking any further action but will, for example, hold cargo from non-registered companies for 24 hours," he says.

'Security cannot wait until goods reach the airport. Shippers will have to be licensed'

Mr Platenkamp of the AEA suggests the registration idea could in fact be taken much further to embrace shippers as well. "Iata (International Air Transport Association) feels that all companies engaged in the acceptance, storage and forwarding of cargo, courier and express parcel shipments intended for passenger aircraft should be licensed and have a security programme approved by the appropriate authorities," he told the World Express conference.

"Security controls cannot wait until goods reach the airport. Therefore, shippers will have to be licensed and of necessity implement security programmes and measures which satisfy the carriers and government authorities."

One of the less publicised aspects of the security issue that needs to be taken into account by companies providing express and other freight transport services is insurance. During the Gulf war, some freight forwarders were surprised to find that their normal insurance did not fully cover them for war risks and terrorist threats. As a result, several forwarders had to pay out extra premiums to ensure they were fully covered against all such risks.

There is also a lot of interest in the effect of the EC single market from 1993 on the legal position with regard to transport and transit insurance. With growing demand from shippers for quality services, insurance considerations are likely to increase the pressure on carriers to make sure their security is in order.

Not surprisingly, courier and express companies are reluctant to talk too openly about the security measures they have introduced. Major operators, though, have in many cases already installed X-ray machines and explosives detection devices. TNT, for example, says it uses colour identification X-ray equipment.

"By removing the need for manual checking, we have been able to offset some of the equipment costs and considerably speed up the screening process," says TNT. Apart from the enhanced service levels which have resulted, such measures reduce the need for 'physical' inspection – and no customer enjoys the thought that his shipment has been opened, however valid the reason.

TNT also took a strategic decision to check all consignments as they pass through a central hub. The option of placing equipment at airports was rejected since problems might arise when aircraft were diverted because of bad weather.

At the hub, every shipment passes through an X-ray machine monitored by trained staff who are rotated every 20 minutes to ensure maximum attention," according to TNT. Items too big for X-ray are checked by explosives detectors, as are any consignments which show up as suspect during X-ray.

Monitoring has discovered items not suitable for air transport at an early stage so that they can be rerouted with minimal disruption. If these items had been found at the airport just before departure, considerable delays could have occurred to every consignment.

The fax machine has not eliminated the need for fast movement of documents

Hard copies are still indispensable

PREDICTIONS THAT the increasing use of fax machines and electronic mail will steadily reduce the demand for courier service delivery of documents now look wide of the mark, writes **Phillip Hastings**.

International courier services offering fast door-to-door or desk-to-desk movement of documents and other urgently needed small items started to emerge on a significant scale in the 1970s as the developed areas of the world stepped up their trade with newly emerging markets such as the Middle East and West Africa.

In many cases, traditional methods of sending urgent documents, notably by post, were unreliable, so private sector couriers moved in to fill the gap. Then, postal authorities also developed premium services, for example the Royal Mail Dataquest operation.

A decade later, many courier companies and some post offices began to move much more forcefully into the parcels distribution business. One reason for that move, they admit, was the belief that prospects for continued rapid growth in document delivery traffic would probably be limited by the future development of electronic communication systems.

Now, however, while conceding that new technology has captured some traditional document traffic, courier companies claim that the growth in international trade and documentation resulting from that have more than compensated for any loss of business.

Indeed, Mr Tony Waring, sales and marketing director of Britdoc, a business mail service operator, argues that the development of fax and electronic data interchange (EDI) has often boosted demand for document delivery services.

"There has been an increase in demand for next-day delivery of documents and mail. Once people get used to electronic transactions, they do not want to wait around three or four days for related paperwork to arrive. They want hard copy confirmation the next day," says Mr Waring.

Mr Douglas West, documents market manager for DHL (UK), the international air express company, maintains that the growth of trade within the European Community will push up demand for document delivery services. He claims there are "inherent restraints" associated with fax and EDI systems which will ensure that air express services retain their pre-eminence for the foreseeable future.

"For instance, many will not wish to bear the sacrifices associated with fax usage. These include the potential loss of confidentiality, via misdial or the wrong person collecting the fax, the variable quality of reproduction of faxed documents, plus the time it can take to fax. Faxing a 30-page document might require up to half an hour of overseeing," he points out.

'Once people get used to electronic transactions, they do not want to wait three days for paperwork'

Mr West also argues that "faxing is an expensive business. To fax the 30 pages from the UK to New York would cost around £33. We could courier that document for about half that cost."

In addition to price, courier companies have sought to combat growing competition from electronic communication systems by streamlining the document despatch procedures undertaken by customers. Most couriers now supply special packs or pouches which are easy to use and help boost marketing efforts. Last year, for instance, Royal Mail Parcelforce introduced a courier-style pouch – the Datapost Express Envelope – for its UK domestic and international services.

Another problem with EDI and fax machines, claim courier companies, is that there are still many parts of the world where such technology is rare or even non-existent. That point is stressed by Mr Roger Corcoran, now head of TNT Express Worldwide's UK operation, who previously had some 13 years' experience in the courier market.

"Markets continue to expand, for instance in eastern Europe, where communications are still being developed. There are still many businessmen who do not have access to electronic mail. In those instances, courier services are the first choice for distribution of documents. I do not see the courier industry or electronic mail replacing each other – I see them eventually being complementary," he says.

Another growth area for courier companies is the movement of intra-company correspondence. Many large organisations now use a private contractor to move mail overnight between locations.

Last month, for example, Lynx, the specialist services division of NFC, the express delivery company, won a £800,000-plus contract to deliver internal mail for Safeway, the supermarket chain. It involves the movement of more than 8,000 items of internal mail and stationery each week to the UK company's 550 supermarkets, 20 offices and 15 distribution centres.

Safeway used to distribute internal mail via its fleet of store supply vehicles. But the company admits that did not guarantee next-day delivery.

According to Mr Kevin Appleton, sales and marketing director for Lynx, the winning of the Safeway account demonstrates that there are niche markets to be found even in industries with already established distribution processes.

"Companies can generate a lot of paper unsuited to electronic transmission which does not move efficiently through networks designed for the delivery of produce," he says.

Companies are investing millions of pounds on information technology

Tracking: customers call the tune

COURIER AND express customers increasingly demand that their service suppliers provide them with consignment tracking capabilities and fast reporting of general management information. And they want such information systems to be fully compatible with general EDI (electronic data interchange) developments, writes **Phillip Hastings**.

To meet those demands, courier and express companies are investing millions of pounds in information technology (IT). United Parcel Service, of the US, for example, has spent $1.4bn on computer-based technology development worldwide in the past five years.

Other global express majors such as Federal Express, DHL and TNT have also invested heavily. Royal Mail parcels delivery organisation Parcelforce is spending some £3m this year on new international tracking and tracing facilities.

Domestic express companies are following suit. For example, Parceline last month announced plans to invest £2m more to upgrade its parcel management system. Improvements will include greater control over consignments and the integration of parcel tracking with billing operations.

Airfreight forwarders involved in providing express delivery services are now concentrating much of their effort on the information technology sector. US company Emery Worldwide has spent $35m upgrading its Emcon computerised tracking and tracing system, while another US-based forwarder, Air Express International, has moved further down the road towards EDI with the development of a two-way computer link with British Airways to provide instant shipment status information anywhere in the world.

According to Mr Louis du Pre, TNT Express Worldwide project manager for European operations, information technology will be the weapon used by companies in the battle to establish customer service standards and market share. As a result, TNT has embarked on a multi-million dollar reorganisation of its IT operations to create eventually one common global system.

"Information technology is being used in two key ways. The operational efficiencies of the expanding networks are dependent on increasingly sophisticated computer networks to hold them together. Customer communications are also being enhanced through the development of information technology systems," says Mr du Pre.

Much of the express industry IT development to date has centred on consignment tracking. More advanced systems now track shipments at various points in their door-to-door movement such as the pick-up from consignor, arrival at the delivery service company's local depot, arrival/despatch at the main parcels sorting hub, arrival at the local depot nearest to premises of the consignee and the final delivery.

Increasingly, express operators are opting to use bar coding to identify parcels being handled through their systems. So far, such development has occurred mostly in European and US domestic operations but now the technology is beginning to spread to the general international sector.

Airbourne Express, for example, plans to introduce bar code-based scanning technology worldwide for the tracking of both its express and freight shipments by end-1992/early 1993. The new developments will involve further

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Phillip Hastings on how wholesale operators are coping

Debt: where the buck stops

TIGHT CREDIT control has now joined entrepreneurial flair as a key management requirement for providers of international wholesale courier and express services.

Wholesale services are used by small and medium-sized courier express and forwarding companies which lack the resources to develop and support their own worldwide express delivery networks. Wholesale operations offer them a chance to compete with the major integrators in international coverage.

However, some industry giants use wholesale services for routes and markets where running their own operation is not economically viable. These services may also be used as a back-up to their own systems.

In the past few years, competition and the recession have made expansion of these wholesale operations into sizeable and viable businesses increasingly difficult, particularly for independent operators lacking the backing of a strong parent organisation.

Those problems were highlighted when one of the best-known names in its field, Wholesale Courier Network/Inflight, went into liquidation in 1988. Nine months later, another prominent wholesale operator, UK-based Scan Courier, relinquished its independent status to join the Edinburgh-based distribution services group, John Menzies.

Now, with recession biting deeper, many small courier and express companies which use wholesale services are running into financial difficulties. Mr Mel Bromley, UK-based European regional manager for Jupiter Air, the wholesale air express division of Japan Air Lines, admits, that means the wholesalers cannot afford to allow their customers much leeway in terms of credit.

"The problem is that everyone is exporting debt. The shipper passes on his debt to the retail courier who then passes it on to the wholesaler, which is where the buck stops. To deal with it, we have taken steps to tighten up our credit arrangements. In fact, we are extremely nervous about giving anyone credit right now."

Supporting evidence for that view comes from Mr Larry Woelk, managing director of Scan Courier. "Credit control is probably our largest single problem. Because so many companies have become insolvent, we have had to implement very stringent credit control policies or not handle the business."

Though forced to tighten up their financial controls, wholesalers are also continuing to develop new services and market niches necessary to sustain their overall development.

Scan, for example, which has to date been best known for its daily European overnight door-to-door services on behalf of trade customers to Scandinavia and various markets in Europe, last month opened an office in New York and is now providing wholesale services from there to the UK, the Continent and Scandinavia. The company hopes to introduce westbound services into the US, particularly from the UK, within a month.

Also due to be launched this month is a comprehensive service from the UK to Africa in conjunction with French wholesaler Universal Express. Scan has already built up services from London to English-speaking African countries such as South Africa, Kenya, Uganda and Nigeria. It now plans to route its traffic for francophone Africa through the Universal network in Paris. "They will use our services out of London for the English-speaking countries," says Mr Woelk.

Jupiter, which to date has concentrated on providing wholesale services to Asian markets such as Japan, Hong Kong, Singapore and Australasia, is also expanding its service network, particularly from Germany which is now being developed as the company's main continental hub alongside London.

Recently-started new services include Frankfurt/Hong Kong, principally using flights operated by German carrier Lufthansa, and Frankfurt to Moscow using Aeroflot. A third new service, linking the German hub to Sydney, Australia, using Australian airline Qantas, is due to start shortly.

"We are looking to develop Frankfurt as a hub for services into eastern Europe. We are studying the possibilities for a Frankfurt/Warsaw service. We are also hope to start a London/Moscow service fairly soon," says Mr Bromley.

A relative newcomer planning expansion is Bridges Worldwide, set up by Mr Guy Bridges, former TNT Skypak worldwide linehaul manager, at the beginning of 1990.

Bridges Worldwide has an agreement with Singapore Airlines under which it acts as its wholesale courier agent. Operations focus on marketing SIA's daily B747-400 services from Heathrow to Singapore and beyond to Hong Kong, Taipei, Bangkok and Sydney. Bridges Worldwide also works with South African Airways to provide wholesale services and recently opened an office in South Africa.

Bridges Worldwide, says Mr Gary Kendall, general manager, is set to become ground handling and general sales agent for an onboard courier service being introduced by Virgin Atlantic Airways. Called Virgin Express, the service will initially be operated on Virgin's flights from London Heathrow to Tokyo, New York and Los Angeles. Likely launch date is August 1.

The EC single market

A level playing field is needed

IMPLEMENTATION OF the Single European Market from January 1993 will mean many changes for express parcel and courier operators. Deregulation of air transport and road freight services should be fully in place by that date.

There are some major hurdles still to cross before implementation is achieved, not least the question of Community air carriers. The European Council is keen to introduce full deregulation into air freight operations.

However, the regulations relating to air cargo services were drafted by the Commission in such a way as to exclude the major integrated air express carriers, such as Federal Express, TNT and United Parcel Service, from benefiting from European Carrier status. DHL, their main competitor, did gain the status through its subsidiary European Air Transport (EAT).

The integrators provide a door-to-door service in which the consignments remain with them. Not to have European carrier status would have put them at a severe disadvantage to DHL. They argued that the European Council should either exclude all the major service providers or include them so as to provide "a level playing field" but not distort the market by allowing DHL to have the status. Intensive lobbying resulted in the regulation adopted in February this year, excluding EAT from European carrier status along with the other integrators.

While this prevented the market from being artificially distorted, it remains an unsatisfactory answer for European industry in terms of the services operated and the alternatives they provide.

EAT is based and registered in Belgium and the Belgian government reportedly lobbied for a reversal of the decision. The other integrators are fighting to stop such a reversal.

A decision by Europe's transport ministers bes been deferred until later in the year. Giving equal status to all or none would be the most appropriate decision to bring in the "level playing field".

There is a lot at stake for all parties involved as Europe's postal market is estimated to be expanding at a steady rate of some 10 per cent a year for the core business of letters and more than 25 per cent for other sectors such as parcels. In addition to the integrated carriers and the postal authorities there are also regional and local express carriers, courier companies and the airlines.

The Association of European Express Carriers estimates that the annual turnover of express carriers amounts to over Ecu15bn. Of this Ecu1.5bn is accounted for by international shipments and Ecu14.2bn is domestic consignments. The association, whose members represent about 70 per cent of the market for express services, forecasts that the international portion of the market will grow to some Ecu5bn by the mid-1990s.

The strength of the private sector operators has posed a big challenge for the national postal authorities in Europe.

The postal authorities have much ground to make up as the express carriers have exploited weaknesses

But they have combined their resources to put in place a range of products and a quality of service which match those of the major express carriers.

Many traditional national barriers had to be overcome before successful co-operation was echieved and there remains much ground to make up as the express carriers have exploited weaknesses in the local monopolies and won sizeable chunks previously held by the post offices.

The express carriers have introduced earlier deliveries in main European business centres, next day parcel services and remail. Some of these services are forecast to grow at e steady 30 per cent e year to the end of the decade. The postal authorities claim that the express companies pursue only the low cost, high profit postal traffic but for the major companies which have invested huge sums in aircraft, road vehicles, land facilities and computers and to track and trace consignments, volume is as important and recession in several European countries has added to the burden of securing sufficient revenue to support heavy investment.

The long delayed green paper has generated many jokes about late deliveries as originally it was due in the summer of 1990, then tha autumn and now July 1991.

It is expected to define a common set of standards on weight, price, speed of delivery and service to customers throughout the European Community. After consultation with the postal authorities, express and courier operators and airlines, the Council of Ministers is due to examine the proposals in November.

The next few months should provide the postal authorities and express companies with a clear view of which directions they will be allowed to follow in the future. In time, the single market is likely to generate a substantial increase in all areas of transport-related business, not least the express sector.

David Robinson

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major enhancements of the US company's established Focus (Freight On-line Control and Update System).

General express industry use of bar code systems is likely to be helped by further advances in that technology. According to Mr Howard Zollinger, a Netherlands-based consultant with Vanderlande Industries, the size of bar code labels is likely to be substantially reduced in the next few years.

"The code part of the label size will be half the present size within two or three years and a quarter in five to 10 years. All parcels will be labelled at pick-up with a readable code providing unique identificatioo. This will contain at least the sort destination, the sender identification and the addressee. The code may not be a bar code as we know it today," he predicts.

Many operators are now installing their own computer terminals and even staff on customers' premises to improve communication between them. UK rail-based parcels delivery organisation Red Star aims to have 100 major customers on line for direct access to its Parcels Business Machine computerised tracking system by the end of this year. Consignment details will be entered into the main tracking system at the time the customer makes the initial contact call rather than after the actual collection.

That development highlights another important aspect of IT development in the courier and express industry – a growing move to find ways of entering information into a system as early as possible.

FedEx, for example, has now installed Dads (Digitally Assisted Despatch System) in-cab computer units in all its London area collection/delivery vehicles and plans to expand that development to include its vehicle fleets in other big cities. The Dads unit acts as a two-way communication system between drivers out on the road and their depot. It can be used to receive parcel collection details and also to transmit proof of delivery information back to the company's central consignment tracking system.

Proof of delivery information also features strongly in recent technological developments by Securicor Omega Express, the UK parcels carrier. For instance, customers can now eccess Securicor's Signline delivery confirmation system via personal computer/modem links in their offices by using a security password. As well as immediate on-screen confirmation of delivery, the system can be used to order hard copies of signed delivery manifests.

Most freight and distribution service operators are also trying to develop methods of computerised communication and tracking that are compatible with other systems. So-called closed loop IT systems which can be used only with one company's activities appear to have a limited future.

In the latest example of a compatible IT system development, DHL, the air express company, has just introduced customs interface software in the UK which should cut clearance time for inbound dutiable goods at London's Heathrow Airport by up to 50 per cent. The new development is said to guarantee 100 per cent accuracy for documentation and administration. DHL claims to be the first air express company to be awarded accreditation by UK customs for ASI (Airline Systems Interface).

The software allows bar code scanning of all dutiable shipments by a DHL operator and ensures speedy processing through customs, with feedback to advise the operator if a shipment has been cleared or detained for further inspection.

Phillip Hastings looks forward to a long-waited EC green paper

Why it's still in the post

PUBLICATION OF a European Commission green paper on the future of European postal services, originally scheduled for the first half of 1990, is now expected shortly.

However, marked differences of opinion within the Commission over the extent to which the postal sector should be opened up to more private sector competition from courier and express companies – differences whicb have been largely responsible for the delay in publishing the green paper – remain.

Those divisions were highlighted last month when two leading commissioners gave widely-differing messages on the subject when they spoke at an international express industry conference in Amsterdam.

The proposals are expected to centre on two key issues: competition and quality control

On the opening day of the event, Sir Leon Brittan, European Commission vice-president, came out strongly in favour of postal service liberalisation and a reduction in post office monopolies on certain types of traffic.

"I believe that the absolute minimum of domestic postal services should be reserved for monopoly providers. Only if it can be demonstrated beyond doubt that monopoly provision of a service is indispensable for the discharge of the essential public services of the monopoly can there be any justification for permitting the monopoly to continue in that service on a monopoly basis," he said.

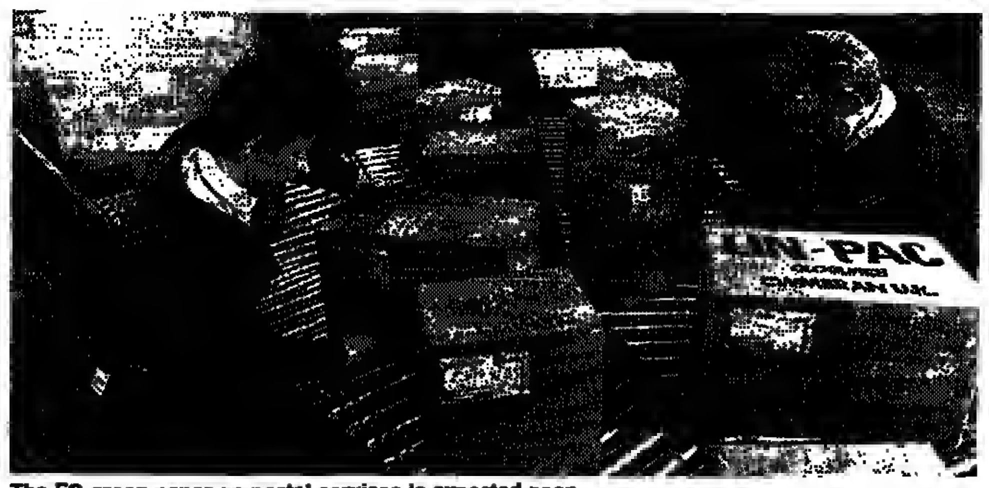
The European Commission, he added, had already undertaken a "resolnte and successful" campaign against post offices claiming monopoly rights over express mail, culminating in cease and desist orders against the Dutch and Spanish governments last year.

"Thia bas assured new choice and growth in the market as the post offices respond with new express services of their own, proving that the courier companies can be regarded more properly as precursors rather than predators."

The next day, though, Mr Pieter Weltevreden, director-ate-general for the commission'a DGXIII, which is responsible for telecommunications, information indnstries and innovation matters, took a very different line.

"The possibility of radical liberalisation of the postal market is contrary to the practical reality of the universal service obligation requiring a universal network which is not economically viable everywhere. There must be a core of reserved services which ensure the provision of the basic universal service," he said.

He also admitted that the slow progress of the green paper had been due to differences of opinion within the commission. "The commission is a rather complicated animal. There are many different points of view. The consultations batween the various directorate-generals have taken more time than expected," he added.



The EC green paper on postal services is expected soon

Once the green paper is published, it is likely to be followed by six months or so of intensiva discussion between all the interested parties before the issue goes before the European Parliament. The commission still hopes to have the resulting legislation in place by the time the EC single market is due to become a reality at the end of 1992. However, outside observers believe that target may prove too optimistic because of the controversy the proposals are likely to generate.

Precise details of the green papar proposals are still largely a matter for conjecture but general opinion within the courier and express industry is that they will centre on two particular issues – competition and quality control.

On the competition front, latest indications are that the commission will recommend that certain postal traffics remain reserved for the national postal authorities. As for quality control, the green paper is likely to focus on ways of developing standard levels of service for postal deliveries throughont the EC, as opposed to the current situation where transit times can range from two dsys to two weeks.

Other possibilities for inclusion in the green paper are proposals to establish some form of Oftel-style regulatory anthority or authorities to deal with future postal monopoly matters. It is also likely that some types of private sector remail activity, particularly within the EC, will be banned.

However, earlier fears among private courier and express companies that the planned general harmonisation of postal services in line with the general concept of the EC single market will lead to the development of an integrated European postal organisation with an even stronger monopoly than that currently enjoyed by existing individual national post offices appear to be receding.

Elaborating on the key issues which are likely to be covered by the Green Paper, Mr Paul Waterschoot, head of European Commission state monopolies and public enterprise department DGIV, said last year that they would include the definition, in each country, of the basic services which could be protected from competition. That definition, he told an international freight industry conference, would have to include an element of minimum price and a clear description of the different stages involved in the provision of the service.

One way of defining such a service would be to say that it is the collection at the post office or in postboxes of a 20-gramme letter and the sorting, transport and distribution of those letters at the premises of the addressee for e uniform tariff of ECU2, he suggested.

"The next step would be to establish that any service which did not fit in with this definition would fall outside tbe monopoly. This would mean that a service whicb did not include all the different elements mentioned would not fall within the limits of the monopoly. Services provided by consolidators or document exchanges would thus fall outside the limits of the monopoly and could be performed by private operators."

Mr Colin Mitchell, chairman of the UK-based Mail & Express Services Users Association, says his membera strongly support the idea of semi-competition between post offices and private operators. Thay are aware that private companies do not on the whole have the desire or the infrastructure to undertake universal letter deliveries but still believe there are areas of operation in the mail/package delivery market which should be open to competition.

"Any attempt to restrict the current levels of service choice available to customers would seriously impair the ability of business to function in the Community," be adds. "My association strongly supports the semi-competitiou scenario. This would preserve the social alement of nniversal postal deliveries through the concept of 'reserved services' but would allow open competition for value-added services without resort to the 'loophole' operations or 'grey area' activities which we see at present."

SAME-DAY DELIVERIES

The pace can be too much

DURING THE 1980s, high-speed same-day deliveries mainly by motorcycle became a multi-million pound game of pass the parcel as quickly as you can for anyone who cared to join in.

But the recession has taken its toll and as the volume of business slides by 30 per cent, nationwida liquidation and consolidation are changing the face of this classic example of the free enterprise market.

Instant response, short-distance delivery mainly by self-employed messenger, is a hybrid of the much larger express market and bas its very own niche within it.

Pick up any telephone book for a major city or town and you will see countless businesses in this market which, although it has two large national carriers operating within it, TNT and Securicor Omega Express, has its roots based locally.

Although in such a transient industry it is impossible to quantify the number of businesses affected by the recession, insiders believe that hundreds have gone to the wall with one startling estimate of 50 per cent of those in London.

What is happening in tha Londou market, generally held to be the biggest and worth £150m, is probahly being repeated nationally.

This market is shrinking as companies pruning bndgets consider the cost and viability of using same-day delivery and those who still opt to do so look for the best services at the most competitive prices.

The pace of the business has provad merciless for some operators who, in spite of drastic price-cutting, have still not been able to compete.

"Putting it simply", says Mr Paul Meunier of North London based express courier West One, "the sort of companies who use our services want it done yesterday and some operators do not have the financial backing to invest in what they need to provide it."

Mr James Greenbury, director of On Yer Bike, based in central London, says customer expectations have risen as they look for the most cost-effective, reliable service.

"Two-thirds of our collections are made in 10 to 15 minutes which some operators, lacking that nnmber of vehicles, just can't match."

On Yer Bike was established in August 1989 with the aim of growing by acquisition. Since then, it has absorbed seven more companies. Three – Security Despatch, No Sweat Couriers and Way To Go Couriers – were taken over last year. Mr Greenbury admits tbat the recession has eased the way along the acquisition trail.

A similar path has been followed by Delta Couriers, which took over Direct Link, with a £1m turnover, in April 1990.

Express courier West One, which has 400 vehicles and operates on a national and international basis through agents, is currently taking what is probably a unique approach to acquisition.

In a move described by Mr Meunier as "a marriage of the ntmost convenience", it involves West One taking in half-a-dozen small companies, providing staff, systems and office space on a monetary basis involving rental, profit sharing or both.

Mr Meunier explains: "Each operator has an individual contract but in a year to 18 months can decide to go back on its own or to let us take it over at a figure related to profitability."

Already there is a waiting list for the scheme, Mr Meunier says. It was set up nine months ago and has increased business, although the company has experienced a 20 per cent downturn in volumes.

Addison Lee, which has four London offices and a £8m turnover, handles 2,000 customer accounts. It has seen its domestic business cut by a quarter and is charging lower rates than two years ago.

Mr John Griffin, managing director, estimates the nationwide downturn in business at 30 per cent. "There is no denying that this is a very difficult time. But if times are tough for big companies such as ourselves they are impossible for smaller operators."

He fears that up to half the courier and express companies in London have gone out of husiness since the recession started.

'Companies using our services want it done yesterday and some operators do not have the finance for it'

"I think the main problem was that a lot of these people were vulnerable because they did not have the necessary business experience."

Mr Malcolm Bluemel, managing director of express courier Rapid Despatch, which has offices in London and Birmingham, says there has been a 25 per cent year-on-year downturn in business volume in London.

"Companies are having to cut overheads and costs to stay afloat and those who can't afford to do so are simply going out of business," he says.

"There is a real fight going on for market share. Last summer the market was extremely buoyant with no-one giving discounts except to major users. Now, even smaller clients are looking for discounts and going elsewhere if companies can't afford to give them."

"Our industry is essentially a local one and without a doubt consolidation is going on across the country into the hands of major local companies rather than national express carriers."

Mr Paul Jackson, of Triangle, specialist management consultants to the freight and transport industry, believes that in the long term, the recession will have a positive effect on the industry.

Contraction of this market is a goldan opportunity for rationalisation and consolidation in what is the most crowded segment of the transport sector, he argues.

Mr Jackson believes the recession will change the face of the industry. "Companies will now be looking more at transport economics. Technology that is coming in can trace the courier to maximise the loading. At the moment there are about 200 motorcyclists travelling between London and Birmingham every day, all with one-way deliveries – and that is uneconomic."

Janina Walker

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INSIDE

STC boosts earnings at Northern Telecom

Northern Telecom, the Canadian telecommunications equipment supplier, lifted second-quarter earnings by 11 per cent and revenues by 24 per cent, largely because of the contribution of STC, the British group acquired earlier this year. Page 16

Bidding for clean air

The Chicago Board of Trade has proposed futures trading in pollution permits as a way to speed up the acid rain reduction programme of the US Environmental Protection Agency. Utilities unable to meet the timetable demanded by the 1990 Clean Air Act of 1990, will be able to buy new allowances enabling them to plan their shift to the new pollution standards. Page 21

Sogeti option for Daimler

Daimler-Benz, the German industrial giant, has been granted an option to take majority control of Sogeti, the holding company which controls Cap Gemini Sogeti, Europe's largest computer services group. Page 14

Kohlhaussen's quiet honeymoon

The new chief of Commerzbank, Germany's third largest bank, is proving to be a nightmare for any public relations man. Martin Kohlhaussen (left), successor to the larger-than-life Walter Seipp, feels business is best conducted out of the glare of publicity. And despite his wealth of international experience and the growth of influence of German banks in Europe, Kohlhaussen's priorities during his honeymoon period as new chief executive remain primarily domestic. Page 14

Mine expanding experience

Twenty years of developing the Freeport copper mine in Indonesia is beginning to pay off. New mineral deposits are being exploited and the company is rapidly expanding. Clare Bolderson reports on the prospects for Freeport which has just initialled a new 30-year contract with the government. Page 22

End of a bull run?

The two-year bull market on the Tel Aviv Stock Exchange has survived both the tense months following the Iraqi invasion of Kuwait last August and the subsequant war. But some observers say tha market could be riding for a fall. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	952	+	32
BMW (Br)	497	+	9.5
Dtsche Babcock	167.5	+	3
KHD	171.5	+	3
Falls			
Philips Kommun	508	–	7
Rheinelektra	1440	–	20
NEW YORK ($)			
Rises			
Amer Express	23⅞	+	¾
Liz Claiborne	42½	+	1⅜
Monsanto	74	+	3⅞
Salomon	36¾	+	1
Falls			
Intergraph	20¼	–	1¼
Wells Fargo	69⅜	–	3
PARIS (FFr)			
Rises			
Arjomari Prioux	2277	+	67
Bouygues	578	+	25
Chargeurs	748	+	24
Geophysique	749	+	42
Falls			
Imetal	250	–	19.9
UFB Locabail	265	–	14.8
TOKYO (Yen)			
Rises			
Aiwa Electric	1170	+	70
Tokyo Rec.	1150	+	70
Falls			
Sajoen Kanko	430	–	30
Narasaki Sangyo	645	–	55
Snow Brand Food	570	–	40
Tsubakimoto	2100	–	200

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
AIM	99	+	20
Brit Telecom	374½	+	11
GKN	364	+	14
Kingfisher	538	+	11
Ladbroke	267	+	14
Maxwell Comms	198½	+	8½
Metal Bulletin	171	+	31
Mirror Group	97	+	8
Reuters	784	+	15
T & N	154	+	5
Utd Newspapers	369	+	10
Whitbread A	479	+	13
Falls			
Central ITV	800	–	22
Nat Home Loans	38	–	31
Ransom (Wm)	39	–	3
Scottish TV	478	–	17
UK Land	43	–	5
Union Discount	422	–	15

DEC to buy most of Philips' computer arm

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, is to sell most of its loss-making computer division to Digital Eqnipment Corporation (DEC) of the US for an undisclosed price.

The transaction will boost DEC's presence in Europe and will be the first time Philips has sold practically an entire division since its retrenchment programme began in mid-1990.

Under an agreement expected to take effect on October 1, Philips will sell all its mini-computer, micro-computer and document-management activities – the core of its information systems division – to DEC.

Following the disposal, Philips will concentrate on personal computers (PCs), which it transferred to its consumer electronics division in late 1990.

The businesses being sold focus on clients such as medium-sized companies, banks, insurers, governments and travel agencies. They generate annual sales of Fl 2bn ($1bn) and employ 7,000 people, mainly in the Netherlands, Sweden and Germany.

DEC and Philips also plan to consider co-operating in fields such as personal computers and components.

The deal will increase DEC's grip on the European market for computer systems designed and manufactured for small and medium-sized companies. Growth of this segment is up to three times faster than that of the overall European computer market.

Late last year, in a similar move aimed at medium-sized corporate clients, DEC took a majority stake in a joint venture formed with Mannesmann of Germany.

The Philips acquisition is DEC's biggest in Europe in terms of staff numbers. DEC employs about 35,000 people in Europe and 120,000 worldwide. Its European turnover in 1989/90 was $5.3bn, or 40 per cent of global sales.

Philips declined to disclose the takeover price or say whether the transaction would produce a book profit. The company is struggling to return to profitability after record losses in 1990, to which the information systems division was one of the main contributors.

Its share price, which has risen in recent days on reports of the DEC deal, touched a 12-month high yesterday of Fl 33.10 before closing at Fl 32.90, a rise of Fl 0.30 from Monday.

The DEC/Philips deal does not include the information systems division's smaller activities in the areas of "smart cards" and dictation systems or its printer manufacturing plant in Eiserfeld, Germany, which Philips will close.

After the sale, the division will employ 1,500 people. Nearly 5,000 jobs have been lost at the division during the past 12 months.

Mr Jan Timmer, president of Philips, said: "This will allow us to focus our efforts on the personal computer sector of the information technology market."

UK banks launch lifeboat for lender

By David Barchard and Tracy Corrigan in London

THE BANK of England and the eight largest UK clearing banks yesterday launched a £290m ($336m) cash lifeboat for National Home Loans, one of the UK's largest mortgage lenders, to save it from a liquidity crisis as local anthorities withdrew their deposits.

The lifeboat arrangement is the first clear sign that the Bank of England and the clearing banks fear a possible crisis in the sector following the BCCI collapse.

NHL said yesterday that it hoped it would not have to make use of the funds from the banks. "The facility was put together to avoid liquidity problems. We have put the stand-by in place and are very confident," said Mr Kevin Milner, NHL's chief executive. "It will be available as long as we need it."

He declined to say how much the stand-by would cost, but confirmed that it would be more expensive than normal funding. If it is drawn, the loan will eventually be extinguished by NHL selling mortgage-backed bonds on the secondary money markets.

Earlier this year, the Association of District Councils warned the Bank of England that local authorities were set to pull out of smaller financial institutions following the collapse of Chancery and Eddington banks, small Manchester-based banks which held local authority deposits.

Following the closure of BCCI, most councils say they will place deposits only with the leading UK clearing banks, and with the top 10 to 20 building societies. Foreign banks and smaller UK banks and other financial institutions are suffering from withdrawals of deposits as a result.

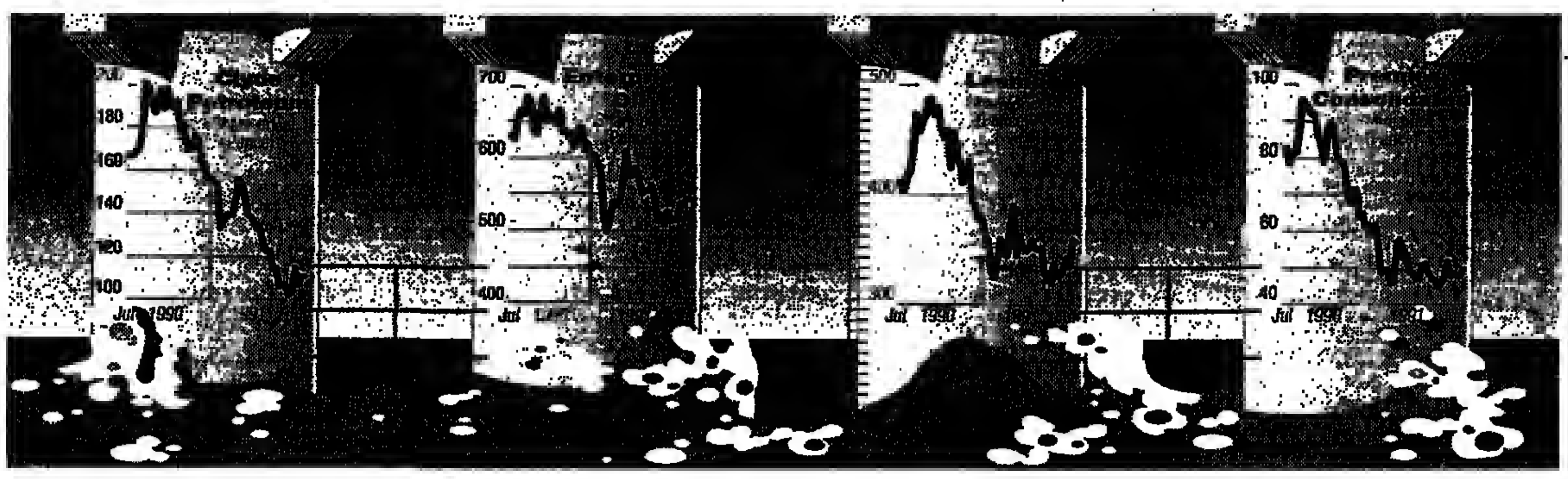
According to Mr Ian Ward, the ADC's assistant secretary, the Bank of England reassured the councils that the situation would be stabilised by clearing banks on-lending to the secondary institutions if councils pulled out from smaller banks.

The clearing banks are clearly not keen lenders at the moment, but they appear to have decided to take action to protect NHL from a run on its funds. Barclays Bank is acting as agent bank for the clearing banks, while S.G. Warburg, the City of London merchant bank, is handling the deal for NHL.

NHL has lent more than £6bn in mortgages to home-buyers since it was set up in 1986 and has more than £1.5bn in mortgages on its books. Its banking subsidiary is small, with only £700m in deposits. More than a third of these came from local authorities, making NHL unusually dependent on such funding.

Mr Milner said yesterday that NHL, which in May reported a sharp drop in its half-year profits from £15m to £10m, was trading profitably. NHL's share price has plummeted this week from around 90p on Monday to close at 38p on the London stock exchange last night.

House in need of repair, Page 10; Lex, Page 12; Mortgage-backed securities market, Page 14



North Sea spawns a new generation

UK oil independents hope to benefit from finds that larger companies dismiss, reports Deborah Hargreaves

THE UK government's formal approval of the Nelson oilfield project in the North Sea last week gave a much-needed fillip to the UK independent oil sector, which has been suffering the disdain of the stock market for much of the year.

The City of London ended its lova affair with the speculative exploration stocks long ago and many companies have seen their share prices drifting downwards. But the go-ahead for the Nelson field marks the commercial development of the first in a new generation of North Sea oilfields which should bring renewed growth to the sector.

The Nelson field could contain as much as 500m barrels of oil equivalent (which includes liquid gas and gas) and is a coup for Enterprise Oil, the UK independent which pioneered the discovery. Enterprise now holds a 60 per cent stake in the structure and will becoma tha first UK independent to run a large field when production starts in three years' time.

Shell, the Anglo-Dutch oil company, will operate the development phase of Nelson costing from £850m ($1.42bn) to £1.1bn and Entarprise will take over running the platform when production starts. This should run at a rate of some 160,000 barrels of oil a day (b/d) – 40 per cent of Enterprise's oil production – and 65m cubic feet of gas from mid-1994.

Nelson is probably one of the last significant discoveries to be made in the North Sea. The UK continental shelf is reaching maturity and most exploration engineers believe much of the oil yet to be found will be in small accumulations of up to 100m barrels.

This could provide an opportunity for the independents as the appeal of the area diminishes for the large companies, according to Mr Chris Greentree, chairman of Lasmo, one of the UK's larger independent oil firms. "I anticipate a progressive transfer of assets from the majors to the independents through a variety of probably quite contrasting and innovative deals," he told a recent conference.

The boom time of the last couple of years for the independent oil companies is unlikely to be repeated in the near future as the stock market comes to grips with a moderate oil price outlook and the low valne of the dollar against the pound, which has depressed sterling revenues.

Ultramar is a UK independent which has suffered a particularly rough ride from the stock market this year. The company, which is partly run from the US, has seen its share price drop in London from £3.58 in March to £2.71 last night.

Companies are having to rely heavily on their exploration expertise to expand in the North Sea – a process that often depends as much on good luck as on good judgment. "For smaller companies tha next few years will be a struggle," said Mr Roger Aylard, analyst at Warburg Securities in the UK. "A lot depends on the quality of the acreage you've got and that is extremely subjective."

The acquisition of oil exploration assets is made more difficult by the low share prices in the sector, which make a share issue for financing an asset purchase almost impossible. "In any case, the North Sea is very crowded and there is a huge competitive pressure for anything worth having," said Mr Peter Elwes, chairman of Hardy Oil and Gas, ona of the second-tier independents.

UK stockbrokers expend much anguish valuing oil exploration asset portfolios, which can have a decisive infinence over a company's stock price. Companies are usually at odds with the City of London over the valuations and wide variations that occur.

Lasmo suffers from widely varying views on its prospects for finding oil. It is evaluating an oil find in the Pine prospect in the central North Sea where estimates for reserves have ranged from 30m barrels of oil to 120m barrels. The company hopes to have a clearer view of the figures by the end of the year, but the structure is believed to be commercially viable.

When Lasmo announces its interim results later today the City of London will look for further news on its exploration programme, hoping for good short-term growth.

Although the smaller companies stand to gain from exploiting small oil discoveries, these can become uneconomic if the companies have to pay a heavy tariff to tie in production and output to infrastructure owned by the large firms.

Premier Consolidated Oilfields, the UK independent exploration company, for example, is developing a discovery of 7m to 10m barrels of oil with the US independent company, Amerada Hess, but a development such as this relies on a company using its own infrastructure and a favourable tax situation.

Independants must increasingly look overseas for the sort of growth their shareholders rely on. Clyde Petroleum realised this five years ago and made a strategic move into gas exploration in the Netherlands. But it can be extremely expensive for independents to buy their way into an overseas market. Mr Malcom Gourlay, Clyde chairman, said it cost the company some £200m to buy into the infrastructure of gas exploration in the country which now makes up 30 per cent to 40 per cent of its cashflow.

"I think the maturity of the North Sea can be overstated," said Mr Graham Hearne, chairman of Enterprise. "It remains a cornerstone for Enterprise and will do so for many years to come."

Boots agrees US marketing deal

By Maggie Urry in London

BOOTS, the UK-based pharmaceutical and retail group, yesterday announced that Warner-Lambert, the large US drugs company, would be its US marketing partner for Manoplax, the drug expected to enliven Boots' pharmaceutical business in the 1990s.

In return, Boots will co-promote Lopid, one of Warner-Lambert's cardiovascular drugs, in the US.

Manoplax, a treatment for congestive heart failure (CHF), is yet to be launched in any market. Lopid, a cholesterol regulating drug, already has annual world sales of $370m. The two companies' US salesforces will each sell the other's drug alongside their own. The agreement could be extended to other territories.

Boots' 200 salesmen will begin to sell Lopid in Jannary next year, but Manoplax is not expected to be approved until later in 1992. Boots applied for registration in the US in October last year. Having Lopid to sell will help Boots build up its salesforce to 350, ready for the launch of Manoplax.

Warner-Lambert, which has a salesforce of 1,200, said that even if Manoplax failed to win approval, it could not lose from the deal. Boots would only profit from extra sales of Lopid generated by its salesforce, said Warner-Lambert.

The alliance was seen as good news for Boots, whose shares rose 9p to 415p yesterday.

Analysts regard Manoplax as Boots' next big money-spinning drug, although the UK group needed a partner to help promote it in the important US market. About 3m people to the US suffer from CHF and 400,000 new cases are diagnosed each year.

Mr Ian White, leading pharmaceutical analyst at Kleinwort Benson, expects Manoplax to be making profits of £100m ($160m) a year for Boots by the late 1990s.

Reuters poised to cut more jobs

By Andrew Bolger in London

REUTERS Holdings, the financial information and news company, said yesterday it would review prices and seek further redundancies to cope with the retrenchment sweeping the world's financial centres.

Reuters' pre-tax profits grew by 1.8 per cent to £170.1m ($275.5m) in the six months to June 30. It said a revenue increase of 2.5 per cent to £705.3m reflected the strength of sterling. However, outright sales revenue fell and recurring revenue had grown more slowly for the last 12 months.

Mr Peter Job, managing director and chief executive, said: "Renters is determined to increase efficiency and enhance its market position despite difficult market conditions.

"Net new orders continne much lower than 1990 and, given the continuing problems and reorganisation in the financial sector, we do not see double-digit revenue growth this year or next.

"Cost reduction remains a major priority and we are seeing some benefits from it. Further progress will determine the extent of 1992 profit growth."

Last December, Mr Job's predecessor, Mr Glen Renfrew, said be would be reasonably satisfied to achieve double-digit growth in pre-tax profits in 1991. Two months latar, Mr Renfrew acknowledged that conditions had become more uncertain.

Reuters has set aside £10m in Europe to fund redundancy programmes and the cost of vacating some properties. It said provisions would be necessary olsewhere in the second half to contiune its cost-cutting programme.

The company declined to say how many jobs it would be cutting in the current round of redundancies. Last year it shed 300 jobs through voluntary redundancies, mainly in the UK.

New orders for trading room systems declined sharply as one-off sales fell.

Operating profit before interest declined to £148m. Cash balances of £448.3m boosted interest incoma from £13.7m to £21.9m. Earnings per share rose by 5.1 per cent to 27.2p. The interim dividend is 6.8 per cent up at 4.7p.

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Daimler-Benz to take majority control of Sogeti

By William Dawkins in Paris

DAIMLER-Benz, the German industrial giant, has been granted an option to take agreed majority control of Sogeti, the holding company which controls Cap Gemini Sogeti, Europe's largest computer services group.

Mr Edzard Reuter, Daimler-Benz's chairman, yesterday signed a wide-ranging FFr2.4bn ($406m) agreement with Mr Serge Kampf, Sogeti's founder and chairman, in which the German group will take a 34 per cent stake in Sogeti and subscribe to a convertible loan initially, and buy a warrant to subscribe to a capital increase in 1995.

The outline of the deal was announced three weeks ago.

They welcomed the deal, in which the companies will co-operate at first in Germany and later elsewhere in Europe, the US and the Far East, as a way of helping both companies widen their product ranges and expand their computer services businesses internationally.

This was a partnership and Daimler-Benz was "neither a conqueror nor a raider," stressed Mr Reuter.

They will seek other industrial partners of any nationality to join the partnership and hope to make a further announcement soon, said Mr Kampf.

Daimler-Benz will pay FFr1.2bn for its share stake, which includes 25 per cent of existing shares, with the remainder of the 34 per cent coming from a capital increase reserved for Daimler-Benz.

It is also buying FFr1.2bn of Sogeti loan stock, which can be converted into shares during a 12-month period from February 1995, lifting the German company's stake in Sogeti to 39 per cent. On top of this, Daimler-Benz is to pay FFr250m for a warrant to subscribe to another Sogeti capital increase during the year beginning February 1995, which would allow it to increase its stake to a majority.

Equally, Sogeti has the right to buy back Daimler-Benz's warrant if the partnership does not work out, in which case the German company can either hold on to its remaining shares or ask its fellow shareholders to buy it out. Sogeti had no plans to use what was planned merely as an emergency exit route, said Mr Kampf.

The first stage will be a German joint venture to be 51 per cent held by Debis, Daimler-Benz's computer services unit and 49 per cent by Cap Gemini Sogeti, which will combine its German subsidiary with the new partner.

KLM seeks 10% of market

By Ronald van de Krol in Amsterdam

MR PIETER Bouw, the president of KLM, said that the group aims to have 10 per cent of the European market for scheduled air services in 10 years' time, compared with just 2.6 per cent at present.

KLM's European market share was too low, the president told the annual press conference, particularly compared with the 10.3 per cent held by Scandinavian Airline Systems (SAS) and the 17.5 per cent stake held by the Air France group of airlines.

KLM will pursue its ambitions for a greater market share through organic growth and possible new partnerships with other airlines. One reason for KLM's small share is the lack of major domestic routes. It is particularly strong on intercontinental routes.

Mr Bouw said KLM was following a dual and simultaneous strategy of reducing its costs and strengthening its market position.

Mr Bouw declined to comment on KLM's results in early 1991-92, or the prospects for a resumption of dividend payments. Last year the group omitted a dividend after posting a net loss of Fl 630m ($315m).

UBS sees 'significant' growth in earnings

By William Dullforce in Geneva

UNION BANK of Switzerland, the country's biggest, announced yesterday a "significant improvement" in consolidated earnings during the first half, but gave no figures.

A spokesman said the improvement applied to both cash flow and net earnings, but the percentage increase in the net profit had been smaller because of higher allocations to provisions.

The parent bank reported "substantially improved" results compared with the first half last year. For 1990 as a whole, UBS posted a 13.5 per cent decline to SFr780m ($503m) in the parent bank's net profit, while group net earnings at SFr897m were down by 9.3 per cent.

First-half net interest income had easily surpassed the level reached during the first six months of 1990, due to higher lending abroad, a firmer dollar and more favourable margins in foreign currency business, the bank said.

Commission income from international corporate banking business had registered an impressive rise.

An excellent first quarter had led to a gratifying increase in returns from securities trading, but income from foreign exchange, banknote and precious metals trading had fluctuated only narrowly above last year's level.

Expenses had been kept within budget, in spite of inflation and exchange rate trends.

UBS parent bank's total assets of SFr195.9bn at the end of June reflected a 4.9 per cent increase over the six months. Customer loans rose by 3.8 per cent to SFr121bn during the second quarter. Holdings of securities gained 15.6 per cent to SFr11.7bn, while funds due from banks declined by 4 per cent to SFr39.3bn and holdings of bills and money market paper were reduced by 29.2 per cent to SFr8.4bn.

On the liabilities side, customer deposits rose by less than SFr1bn to SFr121bn after climbing by SFr11.1bn in the first quarter.

Emerging from the shadows to a testing time

Katherine Campbell reports on the new man at the helm of Germany's Commerzbank

THE incoming chief executive of Commerzbank presents his communications department with something of a challenge. For Mr Martin Kohlhaussen, in marked contrast to his predecessor, is a manager who believes business is conducted most effectively at several removes from the glare of publicity.

"Mr Kohlhaussen would like to end the year with a set of excellent results, and then have people asking who is behind them," laments one Commerzbank staffer, whose job is to encourage the experienced international banker to become more talkative.

Presiding over Germany's third largest bank since the beginning of June, the new man is giving exceptionally little away. "If I came in and altered our priorities for the next decade I would hardly be credible since I was closely involved in the decisions of the last 10," said Mr Kohlhaussen, who joined as a managing board member in 1982.

However smooth the passing of the mantle between Mr Walter Seipp and the man he brought in from his former employer, Westdeutsche Landesbank, the personal styles of the two could not be more different. Slim, Mr Kohlhaussen appears a little stiff at the side of the larger-than-life Mr Seipp. But appearances may be deceptive. Colleagues note Mr Kohlhaussen's face is better known around the domestic branch network than that of his predecessor, who basked in the limelight of international gatherings at the risk of neglecting the home base.

At the same time, extended spells in New York and Tokyo have given Mr Kohlhaussen a more thoroughly international outlook. Despite his travels, Mr Seipp could on occasion sound suspiciously like an apologist for the provincialism of German capital markets.

While facing nothing like the challenge of his predecessor – who a decade ago was charged with righting a seriously ailing bank – the new boss does not want for ways in which to make his mark and to emerge from the shadow of Mr Seipp, who, as supervisory board chairman, still inhabits the adjacent office.

Deutsche Bank's progress continues to widen the gap between the first and third position in the league tables, while Bayerische Vereinsbank, the regional Bavarian bank, yaps at the heels of Commerzbank in balance sheet terms. Loan-loss provisions remain well below those of the competition, and the bank still has to demonstrate the advisability of its go-it-alone strategy in east Germany.

One of the toughest questions of all will be how to foster European growth as the Europartners association, hitherto the focal point of Commerzbank's strategy for continental Europe, threatens to fall apart. This was a lose association of banks in France, Spain and Germany aimed at greater co-operation in retail banking.

Mr Kohlhaussen bravely contends the six-month "thinking time" agreed by the four banks is "quite normal" in a 20-year association. But he acknowledges how far the parties involved have grown apart.

Banco Hispano Americano, in which Commerzbank has a 10 per cent shareholding, is in the midst of a merger with Banco Central, a deal that will create Spain's largest bank, more than halving the Commerzbank shareholding.

Banco di Roma, the Italian Europartner, is also preoccupied with a merger with two other domestic institutions, again creating the country's biggest bank. Meanwhile, it is Crédit Lyonnais's expansive mood outside its borders that has largely precipitated the Europartners' crisis.

The tone of the bilateral talks between the French and Commerzbank concerning a cross-shareholding has also been soured – especially since Crédit Lyonnais opened another German branch in Baden-Baden. Where Mr Seipp had given the impression months ago that a deal was virtually signed and sealed, Mr Kohlhaussen is taking a more hard-headed approach. He starts by asking just what benefits such co-operation would bring. "We still have some things to sort out – notably CL's plans in Germany and our strategic co-operation goals," he said. Preparing the ground if the end-of-year deadline he has set slips by without results, he argues Commerzbank is strong enough to make its way alone.

Martin Kohlhaussen: a thoroughly international outlook

With 30 per cent of total assets stemming from international business, and Commerz the strongest of the big three German banks in the US for instance, Mr Kohlhaussen has no intention of letting that position slip – seeing for example (as yet undefined) possibilities in south-east Asia. But the unravelling of the Europartners would still leave a vacuum in continental Europe.

For now, Mr Kohlhaussen's priorities are strongly domestic. Much of his first month in office was spent on a swing through the 65 east German branches, where he accumulated a detailed knowledge of the growing network and is predicting a 10 per cent market share of available corporate business by year-end.

The first-half results – due out at the end of this week – will also show how cheap funds collected in the east have helped to improve interest margins significantly.

August, meanwhile, sees the start of a three-year domestic restructuring – very much Mr Kohlhaussen's brainchild – that is designed to improve administrative efficiency and give better-trained staff more time for their customers.

Although no sweeping reductions in branches or personnel are envisaged, smaller branches will pass on corporate business to larger operations in the region. Implementation will not be without its political sensitivities, as the biggest regional branches will be halved in number from 40 to 20. As Mr Kohlhaussen's first big test, it will be some time before it is clear how much leaner and fitter Commerzbank will emerge.

Arvin Industries merger proposal with Boge blocked

By Andrew Fisher in Frankfurt

ARVIN INDUSTRIES, a US car components-maker, claimed yesterday it was being blocked from pursuing a merger proposal with Boge by the opposition of Commerzbank, heading a group which owns the majority of the German parts manufacturer's shares.

"It shocked us", said Mr James Baker, chairman and chief executive of Arvin Industries, which wants to combine with Boge, a maker of shock absorbers.

"We were invited in by the management of Boge. We opened our books, showed them our manufacturing facilities, and had meetings in Frankfurt."

Mr Baker said he had been told Commerzbank had an imminent deal involving Boge. Commerzbank had no comment on its attitude to Arvin or the possibility of a sale of Boge to another German company with automotive interests. Together with VDO, a German instrument-maker, and Scamperdale Industrie-Beteiligung, a Zurich-based investment company, the bank controls 50.1 per cent of Boge.

Arvin, advised by Merrill Lynch, the US investment house, has told Boge's majority shareholdering group it wants to combine their shock absorber businesses to form the world's largest manufacturer in this sector. It would be based in Germany.

Arvin, which also has an emission controls business, has annual sales of $1.7bn. Boge, with an annual turnover of around DM650m ($370m), said it knew nothing of Arvin's intentions.

"Arvin is known to us because of its various products," said Mr Günter Tripp, a Boge director. "But merger talks are not the job of the management board. That is for the shareholders." He said there had been "technical contacts" with Arvin.

Mr Baker said: "We made an offer in writing." Arvin had had no contact with Boge's other big shareholder, Sogefi, the Italian automotive company headed by Mr Carlo de Benedetti; its stake is 44 per cent.

GE Capital acquires 3% stake in BBV

By Peter Bruce in Madrid

GENERAL Electric Capital, the financial services arm of General Electric and one of the largest non-bank financial services groups, is to take a stake of around 3 per cent in Spain's biggest bank, Banco Bilbao Vizcaya (BBV), as part of an Iberian and pan-European joint venture between the two groups.

The entry of GE Capital in the BBV's shareholding would considerably boost the Spanish bank's standing and capability abroad, bank officials said yesterday.

They hoped the GE link would provide the same opportunities for the bank in the US as its ties with the Nippon Life insurance group had done in Japan.

Nippon Life has about 3 per cent of BBV, and the bank claims the link has enabled it to capture business normally unavailable to foreign banks.

BBV is understood to have approached GE Capital a year ago after deciding to seek out a powerful US partner. According to details of an agreement released yesterday, the partners will establish a joint financial services affiliate – Finanzia – for Iberia.

It will be owned 55 per cent by BBV and use GE Capital's know-how in leasing, factoring and in private retailers' credit cards to break new ground in the Iberian market. GE Capital, signalling its interest in Europe, has recently acquired the Harrods, Burtons and House of Fraser credit card franchises in the UK.

The two have also formally agreed to begin offering selective project finance services in Spain and Portugal. BBV officials said the two were interested in large complex projects.

BBV is already a major shareholder in the Spanish electricity generating industry and the two are likely to be prime lenders to Spanish utilities when a new power plant building programme begins in the latter half of the decade.

BBV officials said they also hoped to become involved as minority shareholders in other European investments made by GE Capital. For a Spanish bank, this is a relatively novel way to internationalise, but BBV has not felt as comfortable with buying large stakes in foreign retail banks – as has its local rival, Banco Santander – and nor has it or any other Spanish bank made any headway in European financial services or investment banking markets.

● BANCO Santander has allocated the bulk of Pta50.31bn ($459.4m) in extraordinary first-half income to general provisions, a bank official said. He said the provisions, totalling Pta45.69bn, did not reflect losses but rather a parking operation for the funds.

The bank earlier reported first-half group pre-tax profit of Pta57.83bn, up 21.4 per cent on the same period last year.

The extraordinary income was largely from the sales of Santander stakes in Electra de Viesgo to Empresa Nacional de Electricidad SA-Endesa and in Banca Jover to Crédit Lyonnais.

Amev asks for financial details on Mutual Benefit

AMEV, the Dutch insurer, has asked for financial details of the disability, life and health insurance activities of Mutual Benefit Life Insurance, the troubled US insurer, Reuter reports.

Mr Arie Fakkert, a company spokesman, said that "with a healthy interest we have asked for further information on that company." He added no takeover talks were being held, but these could take place.

The US group was seized by state regulators last week. Mr Fakkert said the Mutual Benefit operations in which Amev is interested are profitable. He gave no further details.

He repeated his earlier statement that Amev is examining more than one possible takeover target in the US.

"It (Mutual Benefit) is really not the only company which we are looking at," he said.

Mutual Benefit said there were a number of potential investors who were interested in the business, but it declined to elaborate further.

Long before last week's seizure, the company had sought to prop up its financial position with either the sale of operations or some form of capital infusion.

Sentiment towards the company took a turn for the worse last year after talks with Metropolitan Life, the second largest US insurer, broke down, leading eventually to a run of surrenders at the company.

This announcement appears as a matter of record only.

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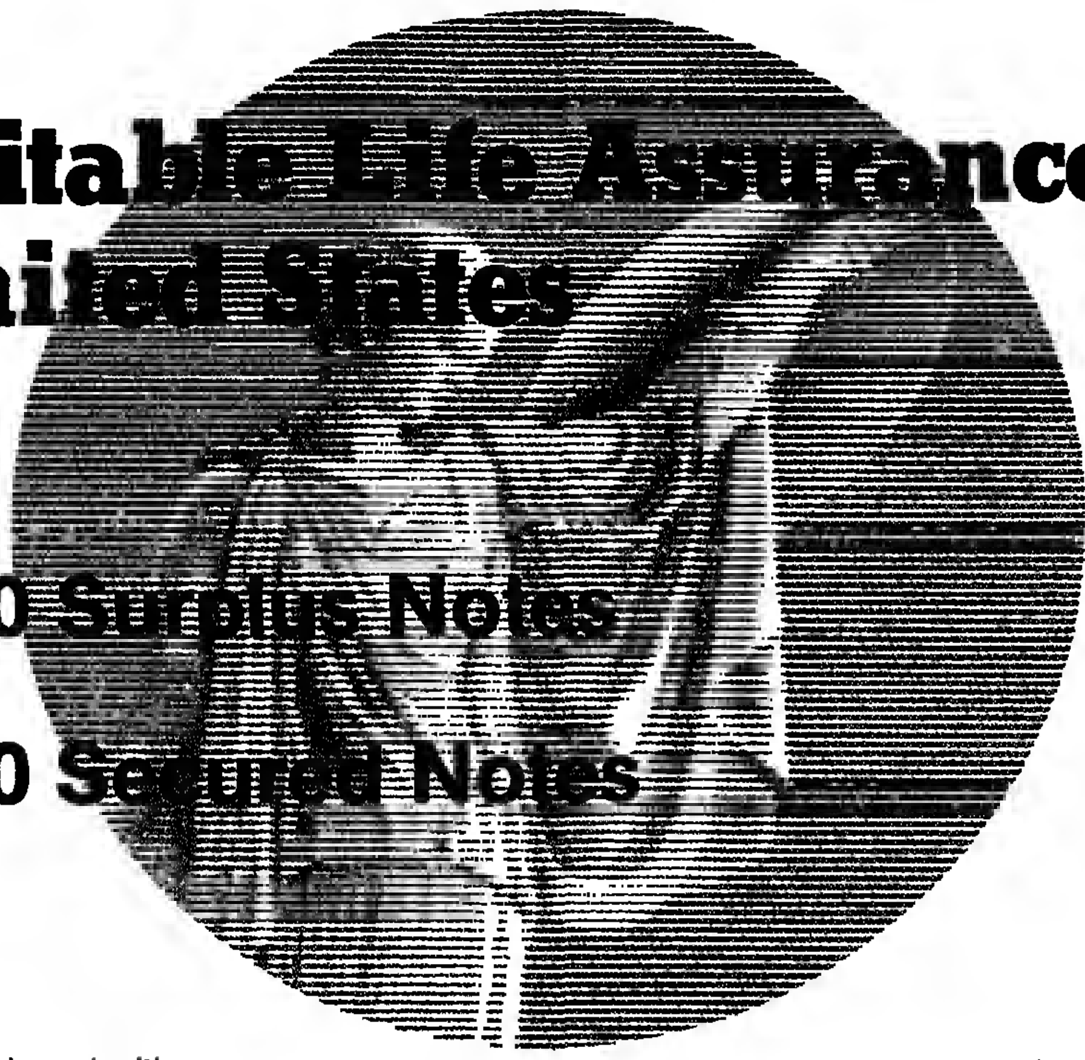

The Equitable Life Assurance Society of the United States

$250,000,000 Surplus Notes

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These securities have been placed with

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These securities are exchangeable for C... ck ... e d... aliz... **Equitable Life Assurance Society of the United States,** at which time AX... d... ble ... will ... holders of the Company.

The undersigned, togeth... Peter Wodtke and ... L... visors in Europe, ... s placement agents and financial advisors t... **Equitable Life As... e United States** ... negotiation and plac... of these securities.

Donaldson, Lufkin & Jenrette

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July 23, 1991

Monsanto slips into red for quarter

By Karen Zagor in New York

MONSANTO, one of the biggest US chemical companies, yesterday posted strong growth in its underlying second-quarter earnings, but a big charge in the quarter pushed the company into a net deficit.

On Wall Street, Monsanto's shares climbed to near their 52-week high of $74¼, adding $3¼ to $73¾ by midday.

For the three months ended June 30, Monsanto posted a net loss of $52m, or 42 cents a share, including an after-tax charge of $325m, or $2.54. In the second quarter of 1990, Monsanto recorded net income of $247m, or $1.90 a share. Sales in the three months rose 4 per cent to $2.47bn from $2.37bn.

The St Louis-based company said its underlying second-quarter earnings were $278m, or $2.12 a share, excluding the restructuring charges.

Mr John Garcia, an analyst at Wertheim Schroder, cautioned that the earnings reflected an exceptionally low tax rate of 27 per cent, compared with 34 per cent last year and 35 per cent in the first quarter.

"On an apples-to-apples basis, Monsanto's second-quarter earnings were about $1.87 a share," he said.

In June, Monsanto said it would cut its 41,000-strong workforce by 2,500 and take a second-quarter charge. The company, which moved away from commodity chemicals towards less cyclical products during the 1980s, said its restructuring mainly involved the consolidation of some of its chemicals operations.

Mr Richard Mahoney, chairman and chief executive, said Monsanto's agricultural business had its best ever quarter. "Our chemicals unit is steadily recovering from the effects of the recession, and the results for our NutraSweet unit remain on track. Fisher Controls, which has held up extraordinarily well through the depths of this recession, saw good order levels, although some softening in orders began to appear toward the end of the quarter," Mr Mahoney said.

Monsanto's agricultural products operations, which include Roundup herbicide, had operating income of $243m, including benefits of $30m from the restructuring. In the 1990 second quarter, the business brought in operating income of $165m.

Monsanto's chemicals business suffered an operating loss of $370m in the quarter, including restructuring charges of $478m. Demand for its chemicals products declined in the latest quarter, but the company said there was steady growth in demand for its fibres products in particular. In the 1990 second quarter, the unit had operating income of $127m.

Mobil set back by lower refining margins

By Karen Zagor

MOBIL, the second biggest integrated oil company in North America, yesterday reported a 6 per cent decline in underlying second-quarter earnings to $401m.

Underlying gains in exploration and producing were not strong enough to offset weakness from refining and marketing in the three months.

Net income in the quarter months was $445m, or $1.08 a share, against $498m, or $1.19, a year earlier. *The results* include gains of $44m in the latest quarter from asset sales, while the 1990 results benefited from net special items of $70m.

Mr Paul Mlotok, an analyst at Morgan Stanley, said the results were in line with his expectations, and he had no plans to adjust his 1991 estimated earnings of $5 a share.

In the first half, Mobil had net earnings of $1.16bn, or $2.81 a share, against $898m, or $2.13, in the 1990 period.

Mr Allen Murray, chairman, said: "As anticipated, second-quarter earnings were significantly lower than the exceptionally strong first quarter, largely due to lower international earnings. International marketing and refining saw refining margins fall from the record high levels experienced early this year when cold weather in Europe and the situation in the Middle East prevailed."

Excluding one-time items, *exploration and producing* brought in underlying operating earnings of $52m in the quarter, up 34 per cent from the previous year. Including special items in both periods, earnings fell to $226m in the latest quarter from $270m.

Income from marketing and refining was essentially unchanged, at $279m in the quarter against $278m a year earlier. Excluding special items, operating earnings from the business fell $66m in the *quarter.*

Occidental advances to $147m

By Martin Dickson in New York

OCCIDENTAL Petroleum, the US energy group which has been *undergoing* a *restructuring* since the death of its chairman, Dr Armand Hammer, yesterday announced net income of $147m, or 49 cents a share, in the *second quarter*, compared with $89m, or 30 cents, a year ago. Sales were unchanged at $5.1bn.

However, the figures for the two periods were distorted by special items. The 1991 figures included an after-tax gain of $85m from the sale of the company's interest in a coal mine in China and a $12m tax benefit. The 1990 figures included a *$41 after-tax gain from the sale* of certain oil and gas properties and $20m of tax gains.

Mr Ray Irani, Occidental's new chairman, said the company was ahead of schedule with its restructuring plan, which was designed to cut the group's high level of debt through $1.5bn of asset sales by the end of this year.

As well as the Chinese coal deal, Occidental has sold its North Sea oil interests and expects to complete the spin-off of its domestic natural gas liquids business by the end of the *third quarter.*

Occidental's oil and gas division earned $54m in the second quarter, up from $48m, thanks to higher crude prices, increased natural gas volumes and higher domestic natural gas liquid prices. The natural gas transmission division made $49m, down from $51m.

The chemical division saw earning drop from $172m to $127m, because of lower margins on petrochemicals and other products.

Ray Irani: restructuring plan on schedule

Soft fuel demand pushes Imperial Oil into deficit

By Bernard Simon in Toronto

SOFT DEMAND for fuel and weak oil and gas prices pushed *Imperial Oil, Canada's biggest* oil company, into a second-quarter loss.

Imperial, 70 per cent owned by Exxon, swung to a C$63m (US$54.5m) loss, equal to 33 cents a share, from earnings of C$238m, or C$1.25 a share, a year earlier. Last year's figures included a C$222m gain on divestments.

Revenues fell to C$2.34bn from C$2.66bn.

The Canadian market for refined oil products has been unexpectedly weak this year, and the industry's margins have been severely squeezed. Canada's refineries have higher operating costs than their larger US counterparts, and *high prices* have led a growing number of Canadians living near the border to fill up their cars on the US side.

The Canadian industry's profits have been further hit by the unremitting drop in natural gas prices.

Imperial said that the the third quarter is likely to show some improvement, with wider margins and lower fixed costs.

The second-quarter loss was far higher than most analysts had predicted. Canada's other two integrated oil companies, Shell Canada and Petro-Canada, are also expected to report losses.

Northern Telecom gains 11% on STC contribution

By Bernard Simon

NORTHERN Telecom, the Canadian telecommunications equipment supplier, lifted second-quarter earnings by 11 per cent and revenues by 24 per cent, largely because of the contribution of STC, the British group acquired earlier this year.

However, the Toronto-based group cautioned that the recession in North America and some European markets made prospects for the rest of the year uncertain.

Net earnings in the second quarter were US$106.5m, or 42 cents a share, up from US$95.7m, or 37 cents, a year earlier. Revenues climbed to $2.1bn from $1.7bn.

Order input for the quarter was 19 per cent higher at just over $2bn, and the $2.8bn order backlog on June 30 was 52 per cent up on a year earlier.

A company official declined to specify STC's contribution, which has been consolidated into Northern Telecom Europe.

Revenues from all key product lines improved, with the largest percentage increase coming from STC's non-telecommunications businesses.

Sales grew in all regions except Canada, where recession and an accounting change pushed revenues down by 3 per cent. Growth was especially strong in Europe, Latin America and the Caribbean.

The company did not disclose an earnings breakdown, but acknowledged that its markets were "extremely competitive". Dr Paul Stern, chairman, said he was "cautiously optimistic" about prospects for the rest of 1991.

Northern Telecom has sold several of STC's non-core businesses, including its land cable, electrical components and electronics distribution divisions. The first two are included in the second-quarter results. Proceeds have been used mainly to reduce debt, which stood at US$2.4bn on June 30, down from US$2.9bn three months earlier.

US QUARTERLY RESULTS

AMOCO, one of the largest US integrated oil companies, posted second-quarter earnings of $238m, or 48 cents a share, against $379m, or 75 cents, last year. Revenues were $6.7bn against $7.4bn.

First-half earnings were $1.04bn, or $2.08 a share (including a gain of $311m, or 62 cents, from an accounting change), against $845m, or $1.66. *Revenues* were $14.1bn against $14.5bn.

Latest earnings include after-tax provisions of $68m related to restructuring of *operations* and writedowns in the chemical business.

ATLANTIC RICHFIELD, the US oil company, registered second-quarter net income of $246m, or $1.51 a share, against $391m, or $2.36, a year ago. Sales and other revenues were $4.2bn against $4bn.

First-half net income was $597m, or $3.68 a share, against $983m, or $5.91, last time. Sales and revenues were $8.9bn against $8.2bn.

GRUMMAN, the largest US *producer of carrier-based* aircraft, reported second-quarter net income of $29.6m, or 86 cents, against $26.7m, or 78 cents, a year ago. Sales were *$1.01bn against $1.05bn.*

First-half net income was $52.1m, or $1.51 a share, against $43.2m, or $1.25. Sales were $1.89bn, compared with $1.91bn a year earlier.

JOHNSON & JOHNSON, a leading manufacturer of health-care products, posted second-quarter net earnings of $406m, *or $1.22* a share, against $353m, or $1.06. Sales were $3.03bn against $2.79bn.

First-half earnings were $824m, or $2.47, against $597m or $1.79. Sales were $6.2bn against $5.6bn.

First-half 1990 figures were reduced by $125m, or 38 cents a share, after tax due to a first-quarter non-recurring charge for the permanent impairment of certain assets and operations in Latin America.

KNIGHT-RIDDER, the newspaper group, posted second-quarter income of $41.6m, or 82 cents a *share*, *compared* with $44.6m, or 88 cents, a year ago. Revenues fell to $569.5m from $591.7m.

First-half net income fell to $57.4m, or $1.14 a share, from $70.5m, or $1.37. Revenues slipped to $1.11bn from $1.15bn.

The group warned that it did not expect earnings-per-share growth in 1991 despite an anticipated strong fourth quarter unless the economy showed a vigorous improvement. It earned $149.1m, or $2.94, in 1990.

PEPSICO, the world's second largest producer of soft drinks, reported second-quarter earnings of $318.3m, or 39 cents a share, against $292.5m, or 36 cents. Sales were $4.7bn, against $4.2bn.

First-half earnings were $523.7m, or 65 cents, against $474.4m, or 59 cents. Sales for the six months were $8.8bn, against $7.9bn.

Earnings for the 1990 periods include a $9.1m unusual charge ($5.5m after-tax, or $0.01 per share) to write off receivables in domestic soft drinks and snack foods due to a major retail customer filing for bankruptcy. In addition, share data has been restated to reflect the August 1990, three-for-one stock split.

Compiled by Rivka Nachoma

Bankers Trust shows steady growth

By Patrick Harverson

STEADY growth in almost all of its main business areas boosted second-quarter profits at Bankers Trust to $185m, or $2.16 a share. The New York-based group made profits of $174m, or $2.06, in the same quarter a year ago.

A big contribution came from BT's capital markets and global trading businesses, which brought in trading revenues of $329m, 30 per cent up on a year ago.

The bank enjoyed success trading less developed countries' (LDC) debt, foreign currencies, government bonds, and commodity and currency derivative products.

Asset and fund management was another strong area for the group, with revenue rising 22 per cent to $141m. A decline in corporate finance fees to $58m, however, depressed total fees and commissions $22m to $125m.

BT's loan portfolio stood at the end of the second quarter at $18.09bn, down from $21.4bn at end-1990. The allowance for credit losses stands at $1.97bn, or 10.9 per cent of total loans. During the quarter, BT raised its provision for credit losses by $52m.

American Express slips 20%

By Martin Dickson
In New York

AMERICAN EXPRESS, the US travel and financial services group, announced a 20 per cent drop in second-quarter net income.

It reported second-quarter net income of $256m, or 53 cents a share, down from $320m, or 73 cents, in the same period of 1990, on revenues of $6.4bn, against $6.01bn. The figures were slightly better *than expected.*

The results incorporated a previously-announced $144m write-off of Shearson's investment in First Capital Holdings, a Californian insurer seized by regulatory authorities.

TRS reported net income of $241m, down 3 per cent, while IDS earnings rose 19 per cent to $61m. Shearson had operating income of $98m, but FCH and other write-offs meant a net loss of $37m, compared with net income of $51m.

Hughes Aircraft to expand non-defence side

HUGHES Aircraft, the leading US defence electronics group, has announced plans for a restructuring, designed to help its expansion into non-defence markets at a time when the American military budget is rapidly shrinking, writes Martin Dickson.

The company said it was considering consolidating its seven operating units into three business areas by the mid-1990s: aerospace and defence; telecommunications and space; and new commercial business, which would concentrate on building up non-defence operations in areas where the group had a particular expertise. Hughes Aircraft is a subsidiary of General Motors, the largest US carmaker, and wants to increase its support for GM's automotive operations.

US defence spending is falling at about 5 per cent a year *and Mr Malcolm Currie, chairman* of Hughes Aircraft, wants to reduce the company's dependence on the defence sector from about 70 per cent of sales to around 50 per cent.

● Lockheed Sanders, a unit of the US Lockheed defence group, and Matra Defence of France have signed a memorandum of understanding to jointly develop and market an air defence system.

Falconbridge tumbles 63%

By Robert Gibbens
In Montreal

FALCONBRIDGE, Canada's second biggest nickel producer, posted a second-quarter profit of C$9.9m, down 63 per cent from C$26.8m (US$23.1m)

Revenues were $463m, down 11 per cent.

First-half earnings were C$34.4m, up 18 per cent, on revenues of C$936m, a fall of 8 per cent.

The company is now 50-50 owned by Noranda of Canada and Trelleborg of Sweden.

● TransCanada PipeLines reported a 17 per cent gain in second-quarter profits to C$52.7m, or 33 cents a share. First-half earnings rose to C$120m, or 66 cents a share, from C$107.5m, or 62 cents, last time.

Carter Holt sells holding in Bridge Oil for net loss

By Mark Westfield in Sydney

CARTER Holt Holdings, the New Zealand forestry group, *has sold its* 49.8 per cent stake in Bridge Oil, the Australian oil and gas producer, for a net loss after trying for 12 months to dispose of the holding.

Carter Holt sold the 205m shares to stockbrokers BZW Australia and Bain Securities for 52 cents a share. The stockbrokers later placed the stock with institutions at 53 cents.

The New Zealand group had been trying to sell the shares since it acquired the holding when it purchased Elders Resources NZFP from Elders IXL (now called Foster's Brewing Group).

When Carter Holt gave BZW and Bain an exclusive mandate to sell the Bridge holdings at 70 cents a share in June, there was little interest above the market price at the time of 56 cents to 59 cents.

Bridge Oil's share price has fallen to a 10-year low, while Carter Holt has been trying to sell its shareholding.

The share price is expected to recover now the Carter Holt shares no longer overhang the market.

Bridge shares have also suffered following the forecast by Mr Robert Strauss, the chairman, last May that the average gas price for its US production for the 1991 year would be 20 per cent lower than in 1990.

Carter Holt has also been trying unsuccessfully to sell the once profitable Simsmetal recycling business it also inherited with the Elders Resources purchase.

Negotiations with potential Japanese buyers appear to have broken down and the company is considering floating Simsmetal.

Carter Holt said when it bought Elders Resources that it would sell all of the company's non-forestry operations.

Carter Holt itself is under threat of a creeping takeover by Brierley Investments. The New Zealand group stands to move to a 30 per cent holding *in Carter Holt* if it exercises a call option it holds over the remaining 8.5 per cent held by the Carter family.

BNZ 'operating profitably'

By Terry Hall in Wellington

BANK of New Zealand was operating profitably in all key areas of its operations following December's drastic restructuring, according to Mr Syd Paisley, chairman.

The bank required a NZ$660m (US$375m) capital injection from its leading shareholders, the New Zealand government and Fay Richwhite, the merchant bank, after revealing that it faced substantial asset write-downs in Australia following the country's deteriorating economic outlook.

Mr Paisley said yesterday that subsequent events in Australian banking had proved that BNZ was correct in moving quickly and decisively, with some estimates of the level of underperforming debt across all banks in Australia at A$16bn (US$12.2bn). He said that it was too early to make any realistic projections on profitability for the coming year, but he believed the benefits of the "hard decisions undertaken in the past two years were showing through".

Mr Lindsay Pyne, managing director, said recoveries through the ADBRO company, set up to handle the poorly performing loans as part of the restructuring, were *proceeding* on target.

He said BNZ had paid the government NZ$91m in tax, that it would not otherwise *have received.* Before December's agreement, BNZ could have treated this as a tax credit. This was on top of the 15 per cent tax paid return on the loan money advanced by the government as part of the restructuring arrangements.

He told a shareholder that he "couldn't guarantee" that the government would not sell its shareholding in the bank over the next 12 months. "But I am not aware of any move by them to sell, and I would expect we would be advised."

Mr Len Bayliss, a long-term critic of government economic policy, resigned as a government-appointed director. Two new directors were appointed: Mr Kerry Macdonald, managing director of Comalco New Zealand, and Mr Sandy Maier, chief executive and statutory manager of DFC New Zealand.

GPT promises bigger dividend

by Mark Westfield

GENERAL Property Trust, Australia's largest listed property trust, has promised an increased distribution for the June half despite a 7 per cent fall in net operating income for the six months.

The trust announced a second-quarter distribution of 7.2 cents for each unit, taking the total payout for the six months to June 30 to 14.1 cents, of which 5.2 cents will be tax free.

GPT paid out 13.3 cents for the same period last year. The 6 per cent increase is twice the manager's revised minimum distribution growth target.

Directors forecast a total payout for the 1991 calendar year of 28.8 cents.

GPT's manager, Australian Funds Management, said the group's portfolio of retail and central business district properties withstood downward pressure on rental income with a sharp fall in interest income to blame for the lower earnings.

The result was also affected by the revaluation of two key properties, its prime Australia Square and MLC Centre towers in Sydney.

Total asset value has been reduced as a result of the revaluation to A$1.82bn (US$1.42bn) from A$1.9bn.

Australia Square has been revalued to A$400m from the A$490m last year and the 20 per cent-owned MLC Centre is down 3 per cent to A$693m.

Lazard Freres to advise Newmont on investments

By Nikki Tait in New York

SIR JAMES Goldsmith, the Anglo-French financier who holds 42 per cent of Newmont Mining and recently agreed to join the US gold group's board, said Newmont's newly-formed "corporate strategy committee" had called in Lazard Freres, the New York investment banking firm, for advice.

It was announced last week that Sir James will chair the five-man committee – whose other members include Mr Gordon Parker, Newmont's chairman, and Rudolph Agnew, originally Hanson's representative on the board but retained by Sir James when he acquired most of the UK group's stake in Newmont.

Sir James told analysts in New York on Monday the committee was "focusing on where we ought to be go" in an effort to generate internal and external growth.

Asked whether it would concentrate on opportunities in the gold industry, Sir James said he believed that "you build on strength", adding that it would have to be "an unusual situation" to merit examination outside this field.

Sir James denied he had been the motivating force behind the recently abandoned merger plan involving Newmont and American Barrick. He claimed the deal had failed because many of the merger benefits lay in one particular geological area – the Carlin Trend deposit in Nevada – and that these could be achieved by private contract.

When he acquired Hanson's 49 per cent Newmont stake – along with funds managed by *Lord Rothschild*, which took the other 7 per cent – Sir James suggested his holding would be reduced. But he said this week that he was "in no hurry". Instead, he enthused about prospects for gold.

Newmont Mining, meanwhile, has reported second-quarter profits of $22m against $31.6m a year earlier. The latest figure is after $3.6m of "unusual charges". In 1990, there were $6.1m of unusual charges and $11m profits from discontinued operations.

Proton group takes 15% stake in C&C

By Lim Siong Hoon
In Kuala Lumpur

EDARAN Otomobil Nasional (EON), the Malaysian distributor of the Proton car, is to take a 15.1 per cent shareholding in Cycle & Carriage (C&C), a publicly-listed car assembler operating in both Singapore and Malaysia.

The M$302m (US$108.6m) deal paid for with 32.5m EON shares, will expand EON's involvement in the Singapore car market, where C&C is a Proton distributor.

In the two countries, C&C assembles and distributes the Mercedes Benz range, but also sells Mitsubishis in Singapore and Mazdas in Malaysia.

Proton, made in a state-controlled plant with Mitsubishi technology and engines, has 80 per cent of Malaysia's market.

Last year, EON reported a 103 per cent rise in pre-tax *profit to M$112.8m* on a turnover of M$2.1bn. C&C, which will gain 21 per cent of the expanded EON, reported a 1991 first-half operating profit of M$30m.

GFW unloads Barcora stake

By *Mark Westfield*

GOODMAN Fielder Wattie, the Australasian food group, yesterday cleared away the last of the bull market baggage taken on under Mr Pat Goodman, its former executive chairman, when it sold the 9.2 per cent stake it held in Barcora, its wholly-owned subsidiary.

Barcora, the former management vehicle 51 per cent owned by executives, was wholly acquired by the company at the end of the 1990 financial year for a nominal A$2. Goodman Fielder took a loss of A$81m (US$63m) on the purchase as part of a total of A$203m in write-downs on various investments that plunged the group into loss for the year.

Goodman chose to delay its sale of the Barcora parcel until *after Foster's* Brewing Group unloaded its 9.8 per cent stake in June.

Mr Michael Nugent, group managing director, said the A$168m proceeds from the Barcora sale would be used to reduce debt.

The shares were crossed by Potter Warburg at A$1.70 each, 13 cents below market and well under the A$2.16 Goodman Fielder needed to break even on the investment. There are no significant holdings in Goodman Fielder overhanging the market as a result of yesterday's sale.

Mr Nugent predicted that Goodman Fielder's net profit for the 1991 year would be between A$100m and A$110m and he would recommend a dividend of 6 cents a share.

AECI declines 56% in first half

By Philip Gawith in Johannesburg

A *COMBINATION* of difficult international and domestic trading conditions saw AECI, South Africa's largest chemical company, record a 56 per cent *fall in* earnings in the six months to end-June.

Turnover at AECI, whose main shareholders are Imperial Chemical Industries and Anglo *American*, rose 5 per cent to R2.5bn ($874m), but net trading income was 38 per cent down at R136m.

Mr Mike Sander, managing director, said the results – the third reporting period in succession to show a 10 per cent real reversal in turnover – reflected the "unrelieved downturn in demand".

Earnings per ordinary share declined to 32 cents from 73 cents in the same period last year.

The interim dividend has been cut to 18 cents from 30 cents per share.

Apart from recessionary conditions in the domestic market, AECI was also hit by the weakness of the international chemical industry and ineffective protective structures which have *made* the local industry vulnerable to dumping.

Mr Sander cited PVC landing on South Africa's shore at $380 to $400 a tonne compared with world *domestic* prices closer to $550 a tonne.

Mr Sander anticipates little improvement in trading conditions, but the second half of the year is traditionally better.

Treasuries weaken ahead of two-year note auction

By Patrick Harverson in New York and Simon London in London

APPREHENSION ahead of the afternoon auction of two-year notes left bond prices weaker across the board yesterday morning.

By midday, the benchmark 30-year government bond was down ⅛ at 98⅛, yielding 8.470 per cent. The two-year note was also lower, down 1/16 at 100⅝, to yield 6.874 per cent.

With large amounts of two-year ($12.5bn) and five-year ($9.25bn) paper due to be sold, dealers and investors remained cautious about dipping their toes into the pre-auction market. Subsequently, trading activity was reported to be extremely light as prices slipped back slightly in the absence of buyers.

Such was the market's lethargy that a warning by the chairman of the president's council of economic advisers that the Federal Reserve must be prepared to lower interest rates again if economic conditions require it went largely ignored.

GOVERNMENT BONDS

■ GERMAN government bond prices fell back as the market showed concern at regional inflation data showing consumer prices rising faster than expected.

On the London International Financial Futures Exchange, the September bund futures contract closed at 83.70, having opened at 84.04.

Inflation data from North Rhine Westphalia, Germany's most populous state, showed a year-on-year rate of 4.3 per cent, up 1 per cent on the rate a month earlier. Data for the whole of Germany is expected tomorrow or Friday. While most analysts are expecting national inflation to breach 4 per cent, a figure of close to 4.5 per cent would intensify fears that inflation is running out of control.

The fall in German bond prices narrowed tha yiald spread between bunds and French government bonds. At the benchmark 10-year maturity, the yield spread is now 53 basis points, against 55 basis points on Monday. This compares with a yield spread of over 100 basis points in June.

However, a cut in French interest rates appears distant for now. Even with French inflation running below that of Germany for the first time in 18 years, the weakness of the franc in the European exchange rate mechanism, and the risk of a further rise in German rates, leaves the French monetary authorities with little room for manoeuvre.

■ UK government bond prices fell sharply yesterday, wiping out the gains seen on Monday following the release of better-than-expected trade and retail sales figures.

Longer-dated gilts saw the biggest falls in price, with the governments £1bn issue of 9 per cent conversion stock maturing 2011 still over-hanging the market. The benchmark 11¾ per cent gilt maturing 2003/2007 closed at 109⅞, down ¾ of a point on the day, for a yield of 10.25 per cent.

Prices at the shorter maturities were more stable. For example, the 10 per cent gilt maturing 1996 closed just 1/16 of a point lower than yesterday at 98⅞, for a yield of 10.26 per cent.

■ JAPANESE government bond prices were firmer overnight in Tokyo, with the yield on the benchmark Japanese government bond issue No 129 closed at 6.72 per cent, having opened at 6.74 per cent.

Today, the market is expecting an auction of Y800bn 10-year bonds at a coupon of 6.6 per cent. The authorities may choose to add a fungible tranche to the existing issue No 140, bringing the total size to Y2,300m. At this level the issue has sufficient liquidity to become a benchmark issue next year.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	105.9143	-0.318	11.02	10.95	11.18
BELGIUM		10.000	08/00	103.1500	-	9.46	9.48	9.30
CANADA *		9.750	12/01	98.6250	+0.200	9.96	9.98	9.96
DENMARK		9.000	11/00	97.6250	-0.175	9.37	9.28	9.24
FRANCE	BTAN	9.000	02/96	98.9092	-0.071	9.27	9.24	9.26
	OAT	9.500	01/01	101.8400	-0.100	9.18	9.13	9.18
GERMANY		8.375	05/01	98.0300	-0.340	8.67	8.58	8.31
ITALY		12.500	03/01	97.6200	-0.080	13.35	13.27	13.21
JAPAN	No 119	4.800	06/99	88.1441	+0.000	7.15	7.18	7.29
	No 129	6.400	03/00	98.2210	+0.081	6.72	6.72	6.80
NETHERLANDS		8.500	03/01	97.4800	-0.200	8.89	8.80	8.64
SPAIN		11.900	07/98	98.9500	-0.400	12.17	11.61	12.07
UK GILTS		10.000	11/96	98-28	-02/32	10.27	10.27	10.44
		10.000	02/01	98-20	-06/32	10.23	10.22	10.58
		9.000	10/08	91-28	-11/32	9.99	9.96	10.19
US TREASURY *		8.000	05/01	98-01	-02/32	8.29	8.24	8.29
		8.125	05/21	96-03	-04/32	8.48	8.44	8.49

London closing. *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

Australia tightens property trust rules

AUSTRALIA's federal government has moved to shore up the troubled A$7bn (US$5.3bn) unlisted property trust industry by imposing a uniform 12-month notice period for withdrawal of funds, writes Mark Westfield in Sydney.

The Attorney-General, Mr Michael Duffy, said the decision would protect the long-term interests of unit-holders while most of Australia's unit trusts were being restructured in the wake of the 1990 commercial property market collapse.

Managers of several of the trusts have indicated they would seek unit-holder approval to adopt a redeemable listed trust (RLT) structure, in which unit-holders can trade units on the stock exchange or choose to redeem them at stated asset backing.

The industry's umbrella organisation, the Investment Funds Association, welcomed the move, saying it would provide a match between the long-term nature of the assets of the trusts and the need to provide liquidity for investors who wished to sell units.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on July 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¾	102¼	+⅛	7.65
ALBERTA PROVINCE 9 3/8 95	600	103⅛	103⅝		8.38
AUSTRIA 8 1/2 00	400	98⅛	98½	+⅛	8.79
BANK OF TOKYO 8 3/8 96	100	98⅝	99⅛	-⅛	8.72
BELGIUM 9 1/8 92	400	102	102¼		7.21
BFCE 7 3/4 97	150	97⅞	98½		8.22
BNP 8 5/8 94	300	101½	101⅞		8.04
BP CAPITAL 9 5/8 95	150	102⅝	103⅛		7.71
CANADA 9 96	1000	103	103⅜		8.17
CARCO 9 1/4 96	650	99⅞	100⅛	-⅛	9.28
CCCE 9 1/4 95	300	103⅛	103⅝	+⅛	8.11
COUNCIL EUROPE 8 96	100	98½	99		8.37
CREDIT FONCIER 9 1/2 99	900	103⅝	104		8.81
DENMARK 0 98	250	55⅛	55⅝	-⅛	8.83
DENMARK 8 1/4 94	150	101	101⅛	+⅛	7.86
ECSC 8 1/4 96	193	99⅞	100⅛	+⅛	8.26
EEC 7 1/4 93	250	99⅞	100⅛		7.38
EIB 7 3/4 96	250	98⅜	98⅞		8.16
EIB 9 1/4 97	1000	102⅞	103⅛	+⅛	8.62
ELEC DE FRANCE 9 98	200	101⅞	102¼	+⅛	8.60
EUROFIMA 9 1/4 96	100	102	102½	-⅛	8.68
EXPORT DEV CORP 9 1/2 98	150	103⅛	104⅛	+⅛	8.76
FINLAND 7 7/8 97	200	96⅝	97⅛	+⅛	8.65
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅝		8.41
FORD MOTOR CREDIT 9 1/2 93	300	102⅝	102⅞		8.27
GEN ELEC CAPITAL 9 3/8 96	300	103⅛	103⅝		8.52
GMAC 9 1/8 96	200	100½	101	+⅛	8.96
HALIFAX 9 1/2 95	200	102⅝	103	-⅛	7.95
IBM WORLD TRADE 7 5/8 95	150	100¼	100⅝	+⅛	7.47
IND BK JAPAN FIN 7 7/8 97	200	95⅞	96⅛		8.84
INTER AMER DEV 7 5/8 96	200	96⅝	97	+⅛	8.45
ITALY 8 1/2 94	1500	101⅜	101⅞	+⅛	7.89
JAPAN DEV BK 8 94	150	100⅝	100⅞		7.83
KANSAI ELEC PWR 10 96	350	104⅛	104⅝	-⅛	8.83
LTCB 8 5/8 93	150	101⅛	101⅝	-⅛	7.81
NEW ZEALAND 8 95	100	100½	101	+⅛	7.69
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝	+⅛	8.00
NIPPON TEL & TEL 9 3/8 95	200	103⅛	103⅝	-⅛	8.23
NORDIC INV BANK 9 93	200	102⅝	103		7.49
ONTARIO HYDRO 11 5/8 94	200	107⅝	108⅝		8.24
OSTER KONTROLLBANK 8 1/8 95	200	101⅛	101½		7.33
PETRO-CANADA 7 1/4 96	200	95⅛	95⅞	+⅛	8.48
PRUDENTIAL RLTY SECS 0 99	365.216	49⅞	50⅝	-1¼	9.75
[illegible]					
JAPAN DEV BK 5 1/2 94	100	96⅛	97⅛		6.92
NEW ZEALAND 4 7/8 99	200	88⅝	89	+½	6.87
QUEBEC HYDRO 5 08	100	78	80		7.32
SKANDINAVISKA ENSK 6 1/2 95	100	99½	100⅛		6.65
WORLD BANK 5 03	150	86⅛	87		6.66
WORLD BANK 7 01	600	100⅛	102⅛		6.67
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	94⅞	95⅛		7.05
CANADA 4 3/8 92	80000	97⅛	97⅞		7.26
CREDIT FONCIER 5 1/4 94	20000	94⅛	94⅞	+⅛	7.15
DENMARK 7 95	40000	100	100⅛		6.95
EIB 4 5/8 94	40000	94⅛	94⅞		7.01
GENERAL ELECTRIC 5 3/4 93	35000	97⅛	98⅛	+⅛	7.18
INTER AMER DEV 7 1/4 00	30000	101⅞	102⅛		6.95
ITALY 5 3/4 92	150000	99⅛	99⅞	-⅛	7.28
KANSAI ELEC PWR 4 5/8 94	60000	93⅛	94		7.18
NIPPON TEL & TEL 5 7/8 96	50000	95⅝	95⅞		6.95
NORWAY 5 1/8 95	30000	94⅛	94⅞		6.97
SWEDEN 5 5/8 95	20000	95⅛	95⅝		7.00
WORLD BANK 6 3/4 00	30000	99⅛	99⅞		6.86

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94½	95½		9.34
KREDIETCORP 7 93 LFr	1000	95⅞	96⅞		9.30
WORLD BANK 8 96 LFr	1000	96½	97½		8.92
AMRO BANK 6 1/4 92 Fl	150	96⅝	97⅜		9.73
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.56
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅝		9.71
BCE INC 9 5/8 95 C$	300	99⅛	99⅝	+⅛	10.14
BELL CANADA 10 5/8 99 C$	150	98⅛	99	+⅛	10.91
BRITISH COLUMBIA 9 1/4 93 C$	150	98⅞	99⅜		9.97
EIB 10 1/8 98 C$	130	98⅛	99⅛	-⅛	10.51
FORD CREDIT CANADA 10 94 C$	100	98⅛	98⅞	+⅛	10.69
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅛	101⅛	+⅛	9.81
MONTREAL TRUSTCO 8 1/2 92 C$	100	97⅞	98⅜	-⅛	11.55
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
ARGYLL GROUP 4 1/2 02 £	60	2.86	116⅝	117⅝	+7.25
ASDA-MFI 4 3/4 02 £	100	1.64	117⅛	118⅛	
BURTON GROUP 4 3/4 01 £	110	3.15	116⅛	117⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	95⅛	96⅛	+20.16
GOLD KALGOORLIE 7 1/2 00	65	1.0554	73⅛	74⅛	+38.96
GOODYEAR TIRE 6 7/8 03	150	80⅛	76⅛	77½	+60.24
GRACE (WR) 6 1/4 02	150	42⅛	91⅛	92⅛	+14.74
HANSON 9 1/2 06 £	500	2.5875	98⅛	99	+20.20
HAWLEY 6 02 PREF	400	19.1	76	80	
HILLSDOWN 4 1/2 02 £	150	4.16	110⅛	111⅛	
INTL PAPER 5 3/4 02	200	68⅛	106⅝	107⅝	+2.51
LAND SECS 6 3/4 02 £	84	6.72	81⅛	82⅛	+12.11
MITSUBISHI BK 1 3/4 02	300	2727.1	99⅛	101½	-0.46
OGDEN 6 02	85	39.077	68⅛	69⅛	+43.72
PACIFIC DUNLOP 6 3/4 97	75	3.749	107	108	+0.22
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	82⅛	83⅛	
THORN EMI 5 3/4 04 £	103	7.45	113⅛	114⅛	+16.89

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

Crédit Foncier lifts Ferri stake to 33.5%

By George Graham in Paris

CREDIT Foncier, the leading French property financing institution, has lifted its stake in stockbroker Ferri to 33.5 per cent, reinforcing the broking firm's capital base.

Ferri, which will still be 33.5 per cent-owned by Mr Alain Ferri and Mr Bernard Ferri, was one of the last independent brokers in Paris.

Since the collapse of Tuffier Ravier last year, however, investors have been increasingly wary of dealing with firms which do not have the explicit backing of a large financial institution.

Crédit Foncier, which previously owned 15 per cent of Ferri, will thus become the broker's sponsor, alongside the Caisse des Dépôts et Consignations, the state financial institution, with 10 per cent, and Union des Assurances de Paris (UAP), the leading state-owned insurance company, which will raise its stake to 6.6 per cent.

The operation mirrors the recent move by the Caisse des Dépôts to lift its stake in Fauchier-Magnan-Durant des Aulnois, another independent broker, to 35 per cent.

Ferri, whose profits plunged last year to between FFr5m and FFr10m compared with FFr35m to FFr40m the year before, said yesterday it expected to report positive results for 1991.

The whole Paris broking profession has faced profits pressure because of declining trading volumes and thinner commission rates due to heavy compnter and investment costs.

The independents, however, have faced the most difficulties as they sought to reassure clients worried by the Tuffier affair. In that instance, the largest shareholder, the Caisse Centrale des Banqnes Populaires, refused to take over responsibility for the failed broker. Private clients had to wait for nearly a year to be repaid.

Heavier loss for Marine Midland

By Angus Foster in Hong Kong

MARINE Midland Banks, a wholly-owned subsidiary of the Hongkong Bank, yesterday announced a second-quarter net loss of US$37m, its fifth snccessive quarterly loss. Losses for the first half of the year totalled $109.3m, compared with $19.8m in the same period last year.

The bank also made further provisions for loan losses of US$31.9m as it continued to be hit by losses on real estate and commercial lending in the weak US economy.

The results reflect the depressed state of the US banking sector. They will add to the troubles of the Hongkong Bank, which suffered a 35 per cent fall in profits last year, mainly dne to losses from its US and Australian operations.

Mr John Bond, who was last month sent from Hong Kong to take over the troubled US arm after the former chairman resigned, described the results as disappointing. "Our focus is to . . . address our difficulties head on and rednce our expenses," he said.

Marine Midland has undergone a thorough restructuring since the Hongkong Bank bought the New York-based bank in 1967. Howavar, although staff and occupancy costs fell in the first quarter, total operating expenses rose 4.6 per cent. This was partly due to restructuring costs and costs incurred while operating repossessed real estate.

Marine Midland's results were expected at Hongkong, where trouble among its overseas subsidiaries has affected Hongkong Bank's share price. Last week, the stock came under pressure on rumours – that proved to be false – that Marine Midland was preparing to make heavy loan loss provisions.

Hongkong Bank said it was too early to assess when Marine Midland's problems would end. No recovery would come before the US economy picked up, it said.

Fokus to propose shares write-down

FOKUS BANK, the third largest Norwegian commercial bank in terms of assets, will call an extraordinary meeting for August 7 to approve a planned write-down of shares from NKr50 to NKr10, writes Our Financial Staff.

The write-down will be the bank's second this year following heavy losses and two injections of government capital. For the first four months of this year, Fokus' operating losses more than doubled.

هكذا صدر الأصل

IADB's Euro deal meets strong investor demand

By Tracy Corrigan and Sara Webb

A 10-YEAR Eurobond issue for the Inter-American Develop-ment Bank met strong demand from investors in the Far East and in Europe.

Dealers said there had been little long-dated paper available, particularly from triple-A rated borrowers such as the IADB.

Meanwhile, spreads in the secondary market have tightened, so the launch spread of 42 basis points above the 10-year US Treasury appeared attractive. The European Investment Bank's 9¾ per cent bonds due 2000 are, *for example*, quoted at e spread of 41 basis points, while the World Bank's 10-year global deal is trading at e spread of just 30 hasis points over the yield curve.

Lead manager Dentsche Bank Capital Markets reported strong demand from the Far East and Europe, and the deal was *sold out in about an hour*, according to traders.

The issue was bid at 99.92, just above its reoffered level of 99.88.

The European Investment Bank brought a DM300m issue of *seven-year* floating-rate notes in the D-Mark sector, which were targetted largely at Italian investors, for whom such supranational borrowers are exempt from withholding tax.

Despite the weakness of the Japanese stock market, four new equity-linked deals were launched in the Swiss franc market, all of which slipped slightly outside fees. However, a heavy slate of new issues is still scheduled in the Swiss market.

● Standard & Poor's, the US credit rating agency, has put the triple-A rating of eight UK mortgage-backed issues on creditwatch with negative implications.

The eight issues affected are Residential Property Securities No 1, and seven issnas launched by The Mortgage Corporation (TMC).

The move follows the recent downgrading of Pohjola, Finland's largest non-life insurer, from triple-A to Double-A plus. S&P said the downgrade reflects "concerns ahont Pohjola's operating performance and the below-average liquidity of its investment portfolio".

Pohjola provides pool insurance and mortgage indemnity policies for the UK mortgage-backed issues which have been placed on creditwatch. TMC said it was assessing the insurance implications and would take action in the next couple of weeks aimed at maintaining the triple-A rating for these *issues*.

● Standard and Poor's yesterday lowered its rating on debt owed by a subsidiary of Prudential Corporation, the UK's biggest institutional investor, writes Richard Lapper.

The senior debt ratings of Prudential Finance BV, an overseas financing vehicle, were lowered to donble A from triple A. Approximately £400m of outstanding debt is affected.

According to Mr Paul Galpin, of S&P in London, the downgrading shows that "the company for all its size is not immune to all problems that *other composites* have experienced and has its own crosses to bear".

S&P expect the company's operating result will continue to be affected by difficult trading conditions. "Although the company's financial leverage is expected to be reduced in 1991, it is not likely to return to conservative historic levels."

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ohbayashi Corp.(a)♦	360	4¼	100	1995	2¼/1½	Nomura Int.
IADB(a)†	300	8⅞	99.88	2001	32.5/12.5bp	Deutsche Bk.Cap.Mkts.
Star Micronics Co.(b)§	150	4	100	1998	2½/1½	Daiwa Europe
Meitec Corp.(a)♦	110	4½	100	1995	2¼/1½	Nikko Secs.
Central Int.(c)§†	60	10	100	1996	2½/1½	Merrill Lynch
STERLING						
British Land(d)†	50	12½	100.883	2018	⅝	BZW
AUSTRALIAN DOLLARS						
R & I Bk.of W.Australia(a)†	75	11¾	101.85	1996	2/1¼	Hambros Bk.
D-MARKS						
EIB(e)‡†	300	(e)	100.10	1998	20/10bp	Salomon Bros. AG
SWISS FRANCS						
City of Vienna(a)†	100	8⅝	101⅝	2001	-	Wirtschafts & Privatbk.
Akebond Brake Inds.(f)★★♦	80	4	100	1995	-	Nomura Bk (Switz)
Toyo Shutter(g)★★§	65	4	100	1996	-	Credit Suisse
AOI Advertising(h)★★§	50	4	100	1995	-	SBC
Shinagawa Fuel(a)★★♦	50	4	100	1995	-	SBC
Shinagawa Fuel(a)★★♦	50	4¼	100	1996	-	SBC
Sunx(l)★★♦	40	4	100	1996	-	Citibank (Switz)
Tokyo Mizawa Homes(j)★★§	30	4	100	1995	-	Credit Suisse
Shibaura Electrics(a)★★§	20	5½	100	1995	-	Kankaku (Switz)
FINNISH MARKKA						
Banque Indosuez(k)†	100	11½	101⅞	1998	1⅞	Deutsche Bk.Cap.Mkts.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Callable on and after 28/2/94 at 103% declining by ¼% semi-annually, except from 31/8/95 - 31/2/96 declining by 1%. Puttable 31/8/96 at 102¼%. Coupon payable semi-annually. c) Conversion premium fixed at 5%. Coupon was indicated at 9¾%-10% and is *payable semi-annually. Mandatorily convertible. Non-callable. d) Fungible with outstanding £100m issue.* Coupon payable semi-annually. Non-callable. e) Callable at par after 2 years. Coupon pays 30bp minus 3-month Libor. f) Callable 8/8/93 at 102% declining ½% semi-annually. g) Put option on 30/9/93 at 108⅜% to yield 6.808%. h) Put option on 31/3/94 at 108¼% to yield 6.907%. Coupon payable semi-annually. l) Callable on 8/2/92 at 101¼% declining ¼% semi-annually. j) Put option 31/3/94 at 108¾% to yield 7.003%. k) Fungible with outstanding FM200m issue launched July 1.

Salomon and Morgan Stanley post strong gains

By Patrick Harverson in New York

SALOMON and Morgan Stanley, two of the biggest securities houses in the US, yesterday reported robust April-to-June profits. The figures completed the picture of *another exceptionally strong* second quarter for Wall Street's broking community.

The 48 per cent rise in quarterly net income to $176m announced by Salomon took the firm's half-year profits to a record $451m, which represented an 89 per cent increase on 1990 first-half earnings. Total revenues during the second quarter were $2.5bn, up from $2.1bn a year earlier.

Salomon enjoyed the best earnings growth at its securities arm, Salomon Brothers. During the quarter, income from principal transactions *increased 22 per cent to* $706m. Trading was buoyant, especially on mortgage, corporate and government bonds, while proprietary arbitrage and derivatives trading also improved.

Equity trading business, however, was sluggish against the background of weakness in leading stock markets worldwide, e factor that was also reflected in flat retail broking commissions.

Investment banking earnings fell slightly to $142m, with a decline in mergers and acquisition advisory revenues offsetting strong gains in income from equity and bond underwriting.

At Morgan Stanley, second-quarter net income jumped 74 per cent to $100.9m, based on net revenues of $669.1m.

Behind the big profit gains was strong growth in fixed income, equity, foreign exchange and commodities trading revenues, which together boosted income from principal transactions by 60 per cent to *$323.6m. A drop in* Tokyo trading activity, however, led to a fall in commissions to $55.6m.

A rise in earnings on underwriting helped Morgan Stanley to a $190m profit on investment *banking, in spite of* weakness in margers and acquisitions and in its real estate advisory business.

Repo traders fight their corner

Sara Webb on pressure at the Bank to loosen bond repurchase rules

The bond lending, or repurchase (repo), business has boomed in the UK in recent years, hut some of the traders involved fear that further growth may be curtailed by Bank of England restrictions.

The repo business is wall developed in the US, and has expanded outside America, mainly in London. The growth is due to the fact that the own-*ers of large bond portfolios* have found they can improve the return on their securities by lending them to traders who need particular bond issues.

"It's a way of enhancing the yield on otherwise idle bonds," *says* Ms Una van Dorssen, of Kidder Peabody Securities. And as more institutions become aware of their ability to increase the return on their bond portfolios, more are turning to the repo market.

Mr Donal Magrath of United Bank of Kuwait (UBK) says: "We have about $2bn of funds under management, of which *about 80 per cent* are *bonds* such as US Treasuries. We aim to enhance the return on the portfolio by lending these out." Previously, UBK's custodian lent the bonds out on UBK's behalf. However, UBK felt that *by lending out the bond portfo*lio direct, using the repo markets in London and New York, it could cover the custodian's charge and *still* increase the return passed on to clients.

Many UK institutions are still cautions about lending out their portfolios, according to Mr Peter Bass, director at S.G. Warburg Securities. "We have some UK lenders, hnt the majority are either from the Continent or from the US," says Mr Mark Mazzonelli, of Merrill Lynch, who advises clients on which parts of their portfolios can be lent out.

Strong demand from traders to borrow certain bonds has *also helped boost* the *repo mar*ket. Mr Mark Williams, of Goldman Sachs, points out that the *driving* force *for* the repo market in London arose from arbitrage opportunities between the cash and the *futures* markets.

Ian Plenderleith: 'no need to re-invent the wheel'

Traders who "go short", that is who agree to sell a bond which they do not already own, use a repo broker to borrow the bond in question. The most commonly borrowad bonds are German bunds, Ecu bonds and French government issues.

The problem is that while traders can borrow bonds from these markets easily, they are restricted when it comes to UK *government bonds*. With gilts, a lender and a borrower cannot simply match their requirements through a broker as they can for other actively-traded government bonds. Instead, the bond-lender has to use a stock exchange money broker, who lends the stock to a gilt-edged market maker.

"*It's a restriction* – it means that if I am short and I know someone who owns the gilts, I cannot borrow the gilts from them, I have to go through a money hroker instead. With any other government bond I can just arrange it with someone I know who has the stock," says Ms Katherine Bennett, of Salomon Brothers, which is a gilt-edged market maker.

Mr Danny Corrigan of Bear Stearns maintains that the advantage of a repo market in gilts is that it would "add liquidity *and attract more traders*". Bear Stearns is not e gilt-edged marketmaker and, therefore, cannot conduct gilt repo business.

A couple of months ago, the London Clearing House (LCH) approached tha Bank of England to see whether it would lift restrictions to allow a repo market in gilts, with the LCH acting as clearing house *for* the transactions.

"A repo market in gilts would *help* the gilts futures contract on *Liffe* (the London International Financial Futures Exchange), because by allowing a trader to go short, it *opens* up a range of strategies which can be used with futures," says the ICH.

"When it comes to trading strategies, it is very restrictive if you can only buy the cash market and sell the futures. Those who want to be able to sell the cash market and buy the futures cannot because they are *unable to go short*."

However, tha Bank of England has so far refused to countenance lifting the restrictions, preferring to keep a close eye on the lending of gilt-edged stock. Mr Ian Plenderleith, associate director *responsible* for markets, and chairman of the stock borrowing and lending committee, wrote in the Bank of England's May 1991 Quarterly Bulletin: "The Bank attached importance to the *development* of an efficient and competitive market in stock lending to meet the needs of the gilt-edged marketmakers. It was concerned, however, that tha market should operate within an appropriate regulatory framework in order to avoid problems such as had emerged outside the UK."

In particular, the Bank was worried that there might be a repeat of the Drysdale Securities scandal in the US. Drysdale, a government securities dealer, collapsed in 1982 owing interest due on government securities which it had borrowed from Chase *Manhattan*.

The Bank rejects complaints and says it is satisfied with the way gilt lending works at present. "We see no need to re-invent the wheel," says Mr Plenderleith.

Star Micronics issues $150m convertible

STAR Micronics, the Japanese compnter printer *manufac*turer, launched a $150m convertible bond, the first dollar-denominated convertible bond to be issued by a Japanese corporate borrower in over a year, writes Sara Webb.

However, *the price of the* convertible bond fell from a launch price of par to trade at between 97.5 and 98 by late afternoon. Daiwa Europe, the lead manager for the issue, said the recent poor stock mar-*ket conditions in Tokyo* were partly to blame for the fall.

The seven-year convertible bond carries a 4 per cent coupon and has an indicated con-*version premium* of 2.5 per cent. One syndicate manager pointed ont that the conpon was "on the low side" and suggested that one of 4.5 to 4.75 per cent would have made the issue more attractive.

Traders said the advantage *of issuing* a *convertible bond* rather than an equity warrant was that holders of convertible bonds may be more likely to convert into the company's *equity early. They said this* could be an advantage for a company wanting to raise equity, given the temporary ban on new equity issuance in Japan. Star Micronics' convertible bond is callable after *February 28 1994, and puttable* after August 31 1995.

The last Japanese dollar convertible bond was issned in January 1990 by Daiwa, the Japanese bank. Star Micronics last issued a convertible bond *in 1984*.

Elsewhere, Aachener Und Munchener Beteiligungs (AMB), the large German insurance group, is floating its *life insurance subsidiary* – Aachener Und Munchener Lebensversicherung (AML).

AMB owns 100 per cent of AML, but is selling 25 per cent of the life insurance company for about DM480m. The initial *public offering* (IPO) will consist of 300,000 bearer ahares, which are expected to be sold at about DM1,600 each.

Dresdner Bank, the lead manager for the IPO, expects a quarter of the shares to be sold *to non-German investors*. The shares in AML will be listed on the Berlin, Dusseldorf and Frankfurt stock exchanges.

INTERNATIONAL EQUITY ISSUES

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday July 23 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Jul 22 Index No.	Fri Jul 19 Index No.	Thu Jul 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (184)	830.40	+1.7	10.43	5.81	11.82	22.20	816.28	813.65	815.11	879.93
2	Building Materials (24)	1066.93	+2.6	9.10	5.84	13.92	30.76	1039.81	1034.93	1035.04	1122.08
3	Contracting, Construction (31)	1154.83	+1.1	9.52	6.76	13.88	31.97	1142.79	1141.04	1146.57	1432.02
4	Electricals (10)	2440.93	+2.5	10.52	5.49	12.10	61.85	2381.15	2372.96	2387.22	2432.28
5	Electronics (25)	1691.35	+1.3	8.93	5.31	14.89	46.44	1670.40	1675.36	1696.71	1812.29
6	Engineering-Aerospace (8)	416.54	-0.1	16.43	6.02	7.31	12.11	417.11	414.17	412.43	462.13
7	Engineering-General (46)	450.19	+1.4	12.24	5.60	10.00	11.82	444.04	442.71	440.47	490.87
8	Metals and Metal Forming (8)	448.86	+1.7	15.72	7.87	7.81	16.70	441.14	442.08	438.27	494.06
9	Motors (12)	328.10	+3.1	12.04	7.37	9.79	9.98	318.14	316.10	319.45	351.28
10	Other Industrial Materials (20)	1589.30	+1.7	8.77	5.06	13.40	34.85	1563.03	1555.20	1556.79	1590.96
21	CONSUMER GROUP (187)	1521.17	+1.2	7.64	3.59	16.13	24.21	1502.68	1490.97	1491.38	1309.60
22	Brewers and Distillers (22)	1848.32	+1.6	8.32	3.59	14.65	27.57	1819.58	1812.41	1824.14	1635.11
25	Food Manufacturing (19)	1199.35	+1.4	9.57	4.12	12.90	24.43	1182.27	1172.70	1170.20	1098.00
26	Food Retailing (17)	2731.49	......	7.89	3.07	16.58	39.61	2732.84	2734.52	2738.66	2591.06
27	Health and Household (22)	3669.89	......	5.19	2.35	22.04	30.86	3670.27	3641.49	3624.89	2562.57
29	Hotels and Leisure (23)	1263.55	+2.4	10.06	5.49	11.86	30.99	1234.18	1219.27	1224.12	1443.63
30	Media (26)	1438.99	+2.1	8.13	4.89	16.00	36.17	1409.58	1403.88	1402.20	0.00
31	Packaging, Paper & Printing (17)	745.74	+2.0	7.54	4.42	16.00	14.33	731.08	725.66	724.76	608.83
34	Stores (32)	974.05	+2.7	7.90	3.82	16.52	17.06	948.84	929.81	931.95	819.45
35	Textiles (9)	569.09	+1.9	8.81	5.45	14.10	13.79	558.75	558.83	554.72	491.69
40	OTHER GROUPS (109)	1252.44	+1.0	9.94	5.14	12.40	23.73	1240.02	1232.88	1231.78	1168.35
41	Business Services (12)	1303.48	+1.4	8.28	5.00	14.94	29.13	1285.26	1277.73	1276.53	0.00
42	Chemicals (21)	1406.36	+0.4	8.00	5.13	14.13	32.92	1400.46	1397.28	1402.32	1278.77
43	Conglomerates (10)	1476.74	+1.2	10.11	7.14	11.95	31.93	1458.53	1443.95	1432.68	1635.04
44	Transport (13)	2192.27	+1.0	8.63	4.86	14.37	48.98	2170.82	2164.09	2157.36	2346.91
45	Electricity (16)	1220.70	+0.4	14.15	5.32	9.03	18.41	1216.42	1215.70	1202.56	0.00
46	Telephone Networks (4)	1489.17	+2.2	9.96	4.09	13.13	5.58	1457.16	1445.97	1462.59	1195.44
47	Water (10)	2461.61	+1.1	16.63	6.25	6.65	118.37	2434.21	2432.87	2371.93	1955.05
48	Miscellaneous (23)	1997.76	-0.5	6.06	4.83	21.42	47.89	2007.85	1986.61	1985.47	1778.01
49	INDUSTRIAL GROUP (480)	1266.89	+1.3	8.92	4.52	13.82	24.03	1251.23	1243.39	1243.63	1170.20
51	Oil & Gas (20)	2509.42	+0.4	10.81	5.45	12.17	50.59	2500.20	2482.18	2500.72	2407.54
59	500 SHARE INDEX (500)	1371.71	+1.1	9.17	4.64	13.58	26.28	1356.31	1347.65	1349.19	1273.22
61	FINANCIAL GROUP (94)	801.72	+1.0	-	5.90	-	20.81	794.15	793.19	792.58	806.56
62	Banks (9)	925.68	+1.1	6.47	5.98	23.39	22.63	916.00	915.22	915.58	856.35
65	Insurance (Life) (7)	1509.51	+1.3	-	5.48	-	41.64	1490.76	1487.91	1478.66	1512.75
66	Insurance (Composite) (6)	657.50	+0.9	-	6.66	-	20.23	651.64	648.96	650.46	682.45
67	Insurance (Brokers) (8)	1190.24	+0.4	6.55	5.69	19.78	30.61	1185.47	1180.96	1164.36	957.45
68	Merchant Banks (7)	425.46	+0.3	-	4.93	-	11.00	424.11	423.35	424.18	437.68
69	Property (37)	902.99	+1.6	6.19	5.09	23.19	19.84	889.21	889.02	888.00	1105.82
70	Other Financial (20)	250.70	-1.5	11.43	7.19	10.94	7.80	254.64	256.87	258.43	289.68
71	Investment Trusts (70)	1227.88	+1.1	-	3.46	-	19.41	1214.01	1210.04	1207.29	1216.93
99	ALL-SHARE INDEX (664)	1234.10	+1.1	-	4.77	-	24.65	1220.52	1213.66	1214.62	1160.91

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 22	Jul 19	Jul 18	Jul 17	Jul 16	Year ago
FT-SE 100 SHARE INDEX♦	2587.9	+29.4	2594.7	2561.3	2558.5	2541.5	2547.3	2561.0	2556.8	2360.9

FIXED INTEREST

	PRICE INDICES	Tue Jul 23	Day's change %	Mon Jul 22	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	120.85	+0.02	120.83	1.61	6.99
2	5-15 years (27)	131.10	-0.07	131.20	2.01	7.77
3	Over 15 years (9)	138.72	-0.30	139.14	2.82	6.44
4	Irredeemables (6)	151.70	-0.42	152.33	2.13	7.34
5	All stocks (71)	130.13	-0.07	130.21	1.96	7.48
	Index-Linked					
6	Up to 5 years (1)	159.94	+0.06	159.85	0.65	2.72
7	Over 5 years (10)	144.99	-0.34	145.49	0.47	2.76
8	All stocks (11)	145.99	-0.33	146.47	0.48	2.76
9	Debs & Loans (56)	110.04	-0.38	110.46	2.77	5.33

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 23	Mon Jul 22	Year ago (approx.)
	British Government				
1	Low	5 years	9.07	9.10	10.71
2	Coupons	15 years	9.92	9.88	10.70
3	(0%-7¾%)	20 years	9.92	9.88	10.70
4	Medium	5 years	10.27	10.26	11.98
5	Coupons	15 years	10.11	10.07	11.19
6	(8%-10¾%)	20 years	10.05	10.00	10.85
7	High	5 years	10.44	10.44	12.07
8	Coupons	15 years	10.24	10.20	11.43
9	(11%-)	20 years	10.14	10.09	11.08
10	Irredeemables	†	10.12	10.07	10.76
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.42	4.44	5.38
12	Inflation rate 5%	Over 5 yrs.	4.37	4.34	4.34
13	Inflation rate 10%	Up to 5 yrs.	3.45	3.46	4.22
14	Inflation rate 10%	Over 5 yrs.	4.17	4.15	4.15
15	Debs &	5 years	11.89	11.86	13.64
16	Loans	15 years	11.68	11.62	12.78
17		25 years	11.47	11.41	12.50

♦Opening Index 2561.3; 9 am 2576.1; 10 am 2581.1; 11 am 2582.6; Noon 2589.0; 1 pm 2591.5; 2 pm 2592.1; 2.30 pm 2590.7; 3 pm 2589.6; 4.10 pm 2588.2; (a) 3.35pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	64	13
Corporations, Dominion and Foreign Bonds	4	2	14
Industrials	429	148	939
Financial and Properties	241	56	442
Oils	22	20	48
Plantations	1	1	8
Mines	21	55	82
Others	59	47	44
Totals	783	393	1,590

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	-	107	101	Abtrust Preferred Inc.Tst.	102		M12.32	-	16.1	-
$102	F.P.	-	108¼	104	Do. Zero Div. Prf.	108¼		-	-	-	-
-	F.P.	-	41	10	Aegis Warrants 5p	39		-	-	-	-
‡	F.P.	-	185	185	Brockhampton 10p	185		-	-	-	-
‡	F.P.	-	33	33	Do. A Warrants 10p	33		-	-	-	-
‡	F.P.	-	155	140	Do. Non/Vtg. A 10p	155		-	-	-	-
†	F.P.	-	106	105	Capital Ventures 1p	105		-	-	-	-
175	F.P.	-	170	163	Claremont Garments 16p	163		L6.95	1.9	5.7	10.1
225	F.P.	-	248	225	Eurocamp 5p	246	+8	R8.5	2.5	4.6	11.8
-	F.P.	-	518	503	Fleming Emrg. Mkts.	508	+5	-	-	-	-
-	F.P.	-	½	¼	Gaelic Res. Wrnts.	½		-	-	-	-
Ir230	F.P.	-	245	205	Greencore Ir£1	217	+2	u06%	5.9	1.9	9.2
Ir146	F.P.	-	155	151	Irish Life Ir10p	151		H0102%	-	6.1	-
385	F.P.	-	335	272	Manchester United 10p	286	+1	-	-	-	-
125	F.P.	-	127	89	Mirror Grp. Newspapers	97	+6	R6.55	1.7	9.0	8.7
100	F.P.	-	113	100	Moorgate Smaller Co's.	105		M4.13	-	5.2	-
35	F.P.	-	39	36	Do. Warrants	36		-	-	-	-
240	100	-	124½	109	Scot Hydro-Elect. 50p	111	-½	R9.13	1.9	4.8	13.4
240	100	-	119½	101	Scottish Power 50p	104	+½	L9.2	φ2.1	5.0	10.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
‡	F.P.	-	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	-	110¼	98¼	Burmah Cap (Jersey) 9½pc Cnv Bds 2006	103½	+¼
100	F.P.	-	102	96½	EE Finance 8¾pc Gtd. Exch. Bds. 2006	102	+½
Ir110p	Nil	-	28p	18p	Fyffes 8.25p (Net) Cnv Cm Prf Ir£1	28p	+1
100p	F.P.	-	104½p	97½p	Queens Moat Houses 7½pc Cv Rd Pf	99p	+½
100	F.P.	-	103¾	96½	RMC Capital 8¼pc Cnv. Bds. 2006	100¼	+1½
100	F.P.	-	103½	96¼	Tarmac 9½pc Cnv. Cap. Bds. 2006	100	+1¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
145	Nil	-	18pm	18pm	Airsprung Furniture 10p	18pm	
83	Nil	-	14½pm	8pm	Amber Day 2½p	14½pm	+1½
140	Nil	-	15pm	14pm	British Fittings 20p	15pm	
Ir25p	Nil	-	¼pm	¼pm	♦Bula Resources Ir25p	¼pm	
30	Nil	-	6½pm	5pm	Burton Group 10p	6pm	
2½	Nil	-	2pm	½pm	Caverdale 1p	¾pm	
88	Nil	-	4pm	2pm	Countryside Props.	2pm	
60	Nil	-	7pm	5pm	Dale & Bower 5p	5pm	
30	Nil	-	¾pm	¼pm	Eng. & O'seas Props. 10p	¼pm	
31	Nil	-	2½pm	1½pm	Ex-Lands 10p	1½pm	
25	Nil	-	7pm	3pm	Hemingway Props.	4pm	
75	Nil	-	1¾pm	1¼pm	Hewetson 10p	1¼pm	
312	Nil	-	64pm	39pm	Sainsbury (J)	58pm	
190	Nil	-	31pm	22pm	Trafalgar House A 20p	31pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. 8 Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. φ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings July 22
● Last Dealings Aug. 2
● *Last Declarations* Oct. 24
● For settlement Nov. 4

For rate indications see end of London Share Service

Calls in Amstrad, ASDA, Barratt Devs., *Brent Walker*, Burton, Holmes Protection, Markheath Sec., Scottish Heritable and Tusker Res. Put in Doctus.

LONDON TRADED OPTIONS

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Alld Lyons (*571)	500	71	86	94	½	3½	8
	550	21	47½	60	1	13½	20½
[illegible]							

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Unilever (*763)	750	12	45	62½	1¼	17½	24½
	800	½	19	37½	38½	43½	50½
[illegible]							

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel (*455)	420	50	66	80	8½	15½	20½
	460	25	41½	56	23	31½	36½
[illegible]							

UK COMPANY NEWS

P&P halved after stock write-off

By Jane Fuller

P&P, THE COMPUTER services company, saw pre-tax profit halved in the six months to May 31 as the value of sales fell in its personal computer distribution arm in a period of sharp price cuts.

The taxable figure of £3.3m ($6.8m) included a £2m exceptional stock write-off as the company discontinued lines from some manufacturers. Turnover rose to £120.7m (£109.4m). Half the rise came from a Swedish acquisition.

Mr David Southworth, managing director, said personal computer makers had cut prices by between 25 and 40 per cent in their battle for market share. The group's distribution division saw turnover decline from about £50m to £41m, even though it sold more "boxes".

P&P had assessed which manufacturers it wanted to stay with, on the basis of their long-term prospects and the potential for a partnership to provide corporate customars with a service as well as products. Ten manufacturers had been dropped and their lines discontinued, hence the stock write-down.

Offsetting the distribution shortfall was s turnover increase of more than 25 per cent to £51m in the corporate division. This includes network installation, maintenance and training.

Operating profit fell 34 per cent to £5.4m (£8.2m). Mr Southworth said margins had been eroded by the increase in the number of people taken on to provide services. The workforce had risen by nearly 200 to 890 in the past 18 months.

Sales in continental Europe, mainly Belgium and Sweden, rose to £20.1m. Non-UK sales were negligible two years ago.

The balance sheet remained strong after a £26.7m rights issue last July. This had wiped ont debt of £20m. At the November year-end, £4.5m cash had been held. By May 31, after £4.8m of acquisitions, debt was £1.5m, gearing of 2.7 per cent.

Fully dilnted earnings, affected by the 3-for-8 issue, fell to 3.9p (10.9p). The interim dividend is raised to 1.33p (1.25p).

● COMMENT

With talk of s bloodbath still rife in the computer distribution sector, P&P is doing better than most. This must provide soma comfort for shareholders who took up last year's rights issue at 185p, when the market price was 228p – compared with yesterday's close of 83p. With the balance sheet still strong, the company is well placed to move out of recession. Apart from the fact that enough computer dealers have probably gone bust to help stabilise the market, the group's corporate division has locked into two long-term trends: tha growth in both personal computer networking and third party management of facilities. The management does, however, still has some points to prove: will the service people it has recruited prove good enough? Will it be able to get customers to kick the credit habit and reduce its near £50m of debtors? For the full year, assuming limited deterioration in trade and no more exceptional costs, a pre-tax profit of £6m to £8m is forecast. A prospective multiple of 10 looks undemanding and the price is supported by s 7 per cent yield.

Thurgar submits to improved bid by Heywood

By Andrew Bolger

THE BOARD of Thurgar Bardex agreed to recommend an increased offer worth £9.2m for the manufacturer of windows, doors and other plastic products, from Heywood Williams, the UK's largest glass distributor.

Heywood launched an £8.6m *hostile offer for Thurgar* on July 6, saying it had irrevocable acceptances for the 17.7 per cent stake owned by the Nye family trusts of which Mr Cliff Nye, Thurgar's chief executive, was a director.

Thurgar later suspended Mr Nye as chief executive and dismissed him. Heywood said it had made no decisions or promises regarding Mr Nye or any other board members.

Heywood's increased offer is one new share plus 180p in cash for every 10 Thurgar Bardex shares. Heywood shares closed 3p higher at 257p, valuing Thurgar shares at 43.7p. They were unchanged at 43p.

Mr Peter Johnson, chairman of Thurgar, said having now reviewed and explored the alternatives, the board had concluded that it would not be in the interests of shareholders and employees to prolong the uncertainty over its future.

Southend Property halved but earnings doubled by tax credit

By David Owen

SOUTHEND Property, which recently failed in its hostile £139m bid for Frogmore Estates – a rival property group, yesterday reported a 52 per cent fall from £6.44m to £3.12m in taxable profits for the year to March 31.

A one-off tax credit of £3.41m kept after-tax profits moving ahead, howevar, and contribnted to a doubling to 6.37p (3.19p) in earnings per share. The credit arose mainly from accumulated claims on capital allowances.

The company described the performance as "highly satisfactory" and expressed ths belief that the property market was "at or close to the bottom of the cycle".

Mr Malcolm Dagul, chairman and chief executive, said that Southend was "looking at different wsys of pursuing" its interest in Frogmore, in which it retains a 10 per cent stake.

Net interest payable during the year was £15.3m (£14.2m) and year-end gearing was 123 per cent. The group's net asset value per share was 141p on a fully-diluted basis – a reduction of 18 per cent.

The company said that Hamlet International, its men's clothing subsidiary, performed better than last year, while Mt Martin Gold Mines did marginally worse.

This was in spite of a tripling to £35.06m (£11.11m) in the gronp's mining sales. "Because of fluctuations in the gold price, there were opportunities to reorganise our forward sales book at better sales levels," Mr Dagul explained.

An increased final dividend of 2.48p (2.25p) was recommended, making a total of 3.8p (3.45p). The shares were unchanged at 85p.

● COMMENT

As the lack of share movement suggested, these figures were in line with expectations – hardly surprising in the light of the group's information disclosures during tha Frogmore bid, launched immediately after its financial year-end. Analysts are now looking for pre-tax profits of about £5m for the current year. Earnings per share will almost certainly be down though as the tax rate reverts to what Mr Dagul describes as "more normal" levels. The share price's 40 per cent discount to net asset value must look tempting to those who concur with the company's relatively positive view of the property market's outlook.

London and Manchester ahead of industry average

By Richard Lapper

LONDON and Manchester, the Exeter-based life insurer and financial services group, has announced new business figures for the six months to June 30, expected to be ahead of the industry average.

Naw annual premiums increased by 7 per cent to reach £25.1m.

Single premiums rose by 15 per cent to £33.9m, following strong second quarter sales in pensions.

A strong performance by the the group's home service operation fuelled growth with sales of annual premiums from that source up 17 per cent at £8.2m.

The group's broker division's sales rose by 8 per cent to reach £12.3m.

The corporate pensions market remained difficult with new annual premiums down 11 per cent to £4.6m.

Temple Bar asset value picks up

Over the six months ended June 30 1991, net asset value at Temple Bar Investment Trust rose by 11 per cent, from 250.6p to 277.59p.

Twelve months earlisr it stood st 299.75p.

Sir Roland Smith, chairman, described that as a satisfactory performanca taking into account the impact of the properties and cash in the portfolio.

Temple Bar Properties had realised its largest property, located in London's West End, at 27 per cent in excess of the December 1990 valuation.

Net profit in the period was £4.17m (£4.18m) for earnings of 7.25p (7.26p) per share.

The directors believed, taking all factors into account, that a modest improvement in earnings would bs achieved over the full year.

The interim dividend is raised to 4.5p (4.1p).

Whitbread beer sales fall as taxes rise

By Philip Rawstorne

A SHARP decline in beer consumption over the past few months had been the result in part of budget tax increases, Mr Sam Whitbread, chairman of Whitbread, said at ths annual meeting yesterday.

The rises in VAT and excise duty had lifted the price of some beers by 5p to 7p a pint, compared with the chancellor's forecast of 2p, and had been "a nasty shock" to customers.

But Mr Whitbread was optimistic that trading would improve towards the end of the financial year.

"We are trading well against competitors in most of our businesses and picking up market share", he claimed. "But we have lost some business in the take-home trade as consumers have traded down."

Abtrust Scotland asset value falls

Abtrust Scotland saw a decrease in its net asset value over the year to May 31, down from 34.5p to 30.6p per share.

However, earnings per share came out at 0.75p (0.6p) and the board is recommending an increased dividend for the year of 0.55p (0.45p).

Revenue before taxation was up at £269,000 (£141,000) and tax took £46,000 against £34,000. Assets stood at £10.3m (£7.41m).

Abtrust Scotland Investment Company is one of a stable of 10 investment trusts managed by Abtrust Fund Managers, an arm of the Aberdeen Trust Group.

AB Consultants declines to £1m

In the wake of the recession in the construction industry, Associated British Consultants has seen its pre-tax profit slump from £2.47m to £1.14m in the year ended April 30 1991.

But Mr Peter Welch, chairman, said the group continued to generate cash and gain market share, and in the core business of structural engineering consultancy activity levels appeared to have stabilised.

Turnover in the year was £11.8m (£12.6m) and operating profit £854,000 (£2.12m). Redundancy costs have been charged to profit. Earnings per share dropped to 9.5p (20.7p); the final dividend is 4.2p for a maintained total of 6.4p.

CONTRACTS & TENDERS

LEGAL NOTICES

IN-FORM GROUP PLC

NOTICE IS HEREBY GIVEN, pursuant to Section 48 (2) of the Insolvency Act 1986, that a Meeting of unsecured creditors of the above named company will be held at:- 115 New London Road, Chelmsford, Essex CM2 0QT. at 10.30 a.m. on Tuesday 6 August 1991 for the purpose of:

a) having laid before it a copy of the Report prepared by the Administrative Receivers under Section 48 of the said Act and,
b) if thought fit, appointing a Creditors Committee
Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.
Other Creditors are only entitled to vote if:-

(i) they have delivered to me at 115 New London Road Chelmsford, Essex, CM2 0QT, no later than 1200 hours on 5 August 1991, written details of the debts they claim to be due from the Company, and their claims have been duly admitted under the provisions of Rule 3.11(1) of the Insolvency Rules 1986; and
(ii) there has been lodged with me any proxy which the creditor intends to be used on his behalf.

A.S. ALLEYNE FCA
JOINT ADMINISTRATIVE RECEIVER

Date: 16 July 1991

PERSONAL

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No short-term answer for long-term debts

By Norma Cohen

AT THE heart of National Home Loans' liquidity problem is a lesson that the US savings and loan industry learned all too well; short-term borrowings are a risky way to finance long-term debts.

What prompted NHL to seek a loan from its bankers was the sudden threat that its large pool of short-term funds from local authorities would dry up. The flight to quality in the face of losses by authorities at BCCI has threatened the mortgage lender's largest single source of short-term borrowings, forcing it to cast about to quickly replace the loans with a long-term committed facility.

The nation's biggest mortgage lenders, the building societies, also rely on retail deposits for financing. But their broad deposit bases and strong customer loyalty make them much less vulnerable borrowers.

Mortgage industry officials yesterday said that NHL was unusual in its reliance on such a volatile source of funds. It is the only one of the major mortgage lenders to own a banking subsidiary and the only one eligibla to attract short-term retail deposits. One of the company's smaller mortgage business competitors, First National Finance Corp, announced to shareholders yesterday that less than £4m of its £1.5bn in loans were short-term and less than £2m of that came from local authorities.

When specialist mortgage lenders first arrived on the UK lending scene in the mid-1980's, they touted their plans to finance themselves by literally re-selling mortgages to investors, thus relieving the need to finance them via either deposits or bank borrowings.

But while some £3.5bn in UK mortgage-backed securities is currently outstanding in the markets, it has been a more successful strategy for some lenders than others. NHL, for instance, has securitised about two-thirds of the £4bn in assets it currently has outstanding. Mr Kevin Milner, chief executive, declined to say how much of the £1.8bn in liabilities were short-term.

But even if NHL's circumstances are unique, news of its liquidity problem sent shivers through the mortgage lending industry. "Securitisation is still in its infancy and investors don't like to buy problems," said an official at one competing firm.

Officials at NHL's two largest competitors, Household Mortgage Corp and Salomon Brothers' The Mortgage Corp, say that their financing strategy has focused on securitising the assets they have and trying to match assets and liabilities.

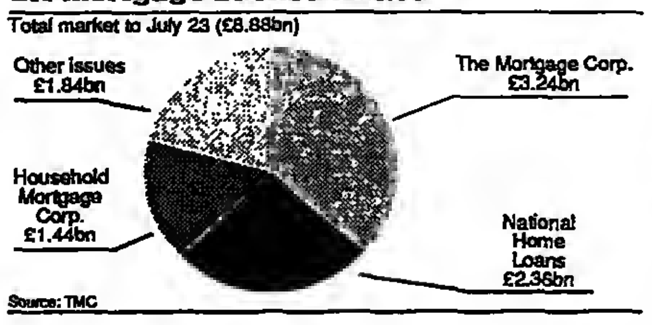
"The problem with retail deposits is that they can go away," said Mr Robert Weir, executive director of HMC. About 80 per cent of the company's book is financed in the bond markets via mortgage-backed securities, with the remainder covered by committed bank facilities from which lenders have more difficulty withdrawing.

Terry Kirk

Kevin Milner: nutside the London nffices of NHL yesterday following the announcement of a lifeboat

UK mortgage-backed issues

Total market to July 23 (£8.88bn)



Source: TMC

Mortgage-backed securities market stable

By Tracy Corrigan

PRICES IN the sterling mortgage-backed securities market were stable, after confidence in the sector took a knock when National Home Loans, the second largest issuer in the sector, had to seek help from banks to overcome potential liquidity problems.

Prices in outstanding NHL deals were little changed, partly because the sector had become very illiquid, traders said.

Dealers said they had received inquiries from clients, bnt most were satisfied that the structure of tha securities isolated them from any problems facing the company.

However, NHL may have to pay interest at a higher margin over the London Interbank Offered Rate next time it taps the market, some dealers said.

The £10bn sterling mortgage-backed securities market grew quickly during the housing boom of the late 1980s, as the securitisation process helped specialist mortgage lenders to expand quickly.

Securitisation allows issuers to remove mortgages from their balance sheets, repackage them as mortgage-backed bonds and sell them to investors.

The credit rating downgrade yesterday of The Mortgage Corporation's honds also dampened sentiment in the market.

The sector hit a low point early this year, when the Bank of England announced that to meet EC requirements banks might have to increase the amount of capital held against mortgage-backed securities from 1993. The market, already depressed by the impact of economic recession on the mortgage market, fell back further, but has recovered substantial ground in recent months.

Councils take more cautious approach

NATIONAL HOME Loans, a UK specialist mortgage lender which relied on funding from local anthorities, is paying the price of councils' more cautious approach to money market investments, following the closure of BCCI, writes Tracy Corrigan.

It is one of many smaller financial institotions which local authorities no longer view as sufficiently credit-worthy. Most councils say that in the wake of BCCI, they will place deposits only with UK clearing banks and the top 10 or 20 building societies. This exposes an array of other financial institutions, such as merchant banks and smaller building societies, to a run on money at a time when credit is in short supply.

Since the early 80's many councils have shifted from borrowing to lending, as they have become increasingly cash-rich from the proceeds of council house sales.

There are only four main areas where councils can invest, according to Mr Ian Ward of the Association of District councils: these are government bonds and bills, other local anthorities, and banks and building societies.

Much surplus cash is placed on deposit with financial institutions, with maturitles usually ranging from overnight to a year.

The closure of BCCI, following the collapse of Chancery and Eddington Banks earlier this year, has persuaded councils that slightly higher interest rates may not be worth the increased risk involved.

While many councils are drawing up fresh investment policies, in the short-term they are freezing out all hut the most mainstream of institutions.

Many local authorities say that the current squeeze on liquidity is not likely to last very long, although a more cautious approach may prevail.

Mr Derek Edmondson, chief accountant at Harlow, said that there have been days when there has not been sufficient demand from mainstream banks for the council to place its cash surplus. But this may be cold comfort for financial institutions feeling the pinch right now.

What happens when a lender goes bust

By David Barchard

"WHAT HAPPENS to me if my mortgage lender goes bust?" Tha question must have flashed through many people's minds on hearing yesterday's news that the clearing banks have organised a lifeboat for the National Home Loans Corporation.

The short answer is that yon could find the interest rate on your mortgage sticking well above market average, but otherwise yon should not be greatly affected.

Unlike overdraft lending, mortgages have a fixed term and the lender cannot normally call for early repayment unless the horrower defaults on the agreement.

The new-style mortgage lenders like National Home Loans, who fund from the commercial money markets and sell their mortgages through insurance companies rather than via branch networks are less than ten years old in the UK.

Unlike banks and building societies many of them are not regulated by the Bank of England because they do not take deposits.

But despite their relative novelty in the market, the housing depression has already claimed several casualties.

Unsuccessful mortgage companies attempt to sell their mortgage book to another lender.

This means that the new lender will administer the mortgage and almost certainly set the price for it. Soma troubled lenders have not been sold and simply run down their mortgage books. In this case, a lender has no incentive to keep interest rates low so usually gently encourages customers to leave by keeping rates high.

Customers could suffer from staying with a moribund lender if its administration was run down. But so long as they continue to meet their payments on time, they should not be greatly disturbed.

But they will probably find it cheaper to shift their mortgage to another lender.

AIM shares recover as bankers waive £2m loan

By David Owen

SHARES IN AIM Group took off yesterday as the aircraft interiors manufacturer announced that the shadow hanging over its discontinned property activities had been largely lifted.

The Southampton-based company also reported a marginal decline to £2.23m (£2.48m) in annual profits. All told, the shares – which two years ago reached the giddy heights of 463p – regained 20p to 99p.

Along with its results statement, AIM revealed that its bankers had waived £2m of a troublesome £8m loan to its property division and agreed that repayment of the balance – which will not bear interest – be postponed until 1994.

"It has been a sword of Damocles," said Mr Jeff Smith, chairman and chief executive, referring to the loan. Previously, the sum had been repayable on demand, he said.

The news stole the spotlight from the group's decision to cut its final dividend by a sharp 40 per cent to 4p (6.6p), making a total of 5.5p (9p).

"We have massive amounts of expansion to go through and we need every penny," said Mr Smith, explaining the decision. "I simply cannot justify borrowing more to pay a dividend."

The group's turnover, bolstered by a strong performance from the key aviation and general engineering division, climbed by 10.5 per cent to £52.92m (£47.89m).

This included $10m from the two-year-old Seattla subsidiary, which contribnted a maiden operating profit. The company has received contract awards for the interiors of two new aircraft: the SAAB 2000 and the McDonnell Douglas MDX helicopter.

Year-end gearing - excluding the residual £6m property borrowings - weighed in at 75 per cent, with net debt standing at £13m. This resulted in a sharp increase to £1.44m (£299,000) in annual finance charges.

There was an extraordinary charge pertaining to various divarse items of £167,000 (£3.11m). Earnings per share held steady at 11p, compared with 10.8p, thanks to a lower tax charge.

Brent Walker close to deal on refinancing

By Maggie Urry

THE FINANCIAL restructuring of Brent Walker took a step closer to being achieved yesterday when only one of the 47 hanks in its main syndicate was left outstanding on the new money part of the deal.

The refinancing involves the banks lending £70m of fresh capital, of which £20m has already been advanced. Yesterday four lenders, who had regulatory or liquidity problems in putting up new money, were "taken care of" one banker said.

That leaves only one bank, believed to be Banque Worms, yet to agree to put up cash. Brent Walker's shares rose ½p to 23p.

All 47 banks have agreed in principle to the refinancing, which involves swapping £250m of tha £970m owed to them into equity and taking a large part of the interest payments on remaining debt as equity too.

Some of the holders of the £101.9m convertible honds issued hy Brent Walker last November met yesterday morning.

Hambros Bank, which is an investor in the bonds and has been acting to co-ordinate the holders interests, declined to comment on the meeting, although others said it simply npdated holdars on recent developments.

First trading values Claremont at £47m

By Jane Fuller

ON ITS first day of trading, Claremont Holdings, formerly the manufacturing arm of Alexon, tha retailer, closed down 7p at 163p giving a market value of £46.5m.

With Alexon shedding 156p to close at 390p, the hoped for increase in the combined value of the stocks was a minimal 7p.

Investors in Alexon received one share in Claremont, a supplier of clothes to Marks and Spencer, for every share held in tha original group.

Ms Julia Blake, of Barclays de Zoete Wedd, the house broker, said there had been some shake-out of the Claremont shares, with about 1.3m changing hands of the 28.5m total.

Two camps had amerged about the textile company's valnation. Some analysts believed it should only have a single-figure prospective p/e rating, in spite of its strong profits record.

On BZW's earnings forecast of 15.4p this year, the shares are on a prospective p/e of 10.6, and a notional historic yield of 5.7 per cent.

Equitable Life invests £67m in property

By Richard Lapper

EQUITABLE LIFE Assurance has announced the purchase of properties from Arlington Securities, the property development arm of British Aerospace.

It is paying £67m for 17 properties at business parks at Aztec West, Birmingham, and Arlington, Reading. Equitable Life bought other properties at the two parks early in 1990 for over £30m.

According to Mr Colin Winter, the chief surveyor of Equitable, "the new portfolio was an opportunity to acquire more first class properties."

Apricot Computers, National Rivers Authority, English China Clays, Bull, Mitel and Charles Haswell are among the companies leasing office space at the two sites.

Mr Winter believed property is "close to the bottom of the cycle" and "that yields of between 8½ per cent and 9½ per cent look reasonahly attractive compared with other forms of investment."

Longer-term property investors ought to be huying "if they can find the right properties", he added.

Equitable now had a property portfolio worth in excess of £750m. About 53 per cent of that was in office space, which Mr Winter conceded was "probahly a hit higher than we would want."

Property amounted to about 10 per cent of the insurer's overall investment portfolio.

Mr Patrick Deigman, director of Arlington Securities responsible for business parks, said that since making "a tactical withdrawal from the investment market" last year, Arlington had been "making high level presentations to UK and overseas investors." Further transactions were expected, he added.

NEWS DIGEST

Recession hits Eliza Tinsley

THE recession began to bite in the second half at Eliza Tinsley, the USM-quoted manufacturer and distributor of hardware products.

The result for the year ended March 31 1991 was a drop of only 1 per cent in turnover to £15.3m (£15.5m) but a decline of 37 per cent in pre-tax profit to £830,000 (£1.32m).

The fall was limited by strict control of costs. Difficult trading conditions continued into the current year with sales down on what was a good first quarter in 1990-91.

Eliza Tinsley, the main subsidiary, increased sales to DIY supermarkets. Grass care products of JT Parkes was affected by the dry summer.

Earnings per share fell to 8.02p (11.88p); the final dividend is 3.4p for an unchanged 5.2p total.

Cupid profits drop to £411,000

Cupid, USM-quoted maker of hridalwear and nursery and children's care prodncts, saw its pre-tax profit fall from £637,000 to £411,000 in the year ended March 31 1991.

The company doubled its size last Decemher with the acquisition of Pronuptia (UK), the bridalwear retail and franchise operator.

At the time it was expecting profits in line with last year. However, difficulties in completing the share issue led to the loss of a month's sales during the peak last quarter; the Gulf war affected cargo flights from Taiwan, the main country of snpply, and had weather upset supplies.

Turnover rose to £9.4m (£7.3m) with bridalwear up 22 per cent to £6.7m. But overheads brought profits down in that division by 40 per cent to less than £300,000. Pronnptia contributed only two months.

Earnings per share fell to 6.5p (15.7p). The dividend is held at 3p on increased capital.

The new year started well in existing husinesses, although the Pronuptia acquisition and extent of the necessary reorganisation meant that benefits were unlikely to appear before next spring.

Throgmorton USM recovers

Some recovery in the performance of the smaller unlisted companies in which it specialises boosted net asset value of Throgmorton USM Trust from 102.7p at the year end to 116.1p at the June 30 interim, although the figure is still down on the 131.7p at the comparable half year.

Net income before tax was down from £587,000 to £460,000 as the Trust took a decrease in income to protect its capital value. Earnings per share came out at 1.43p (2.18p).

ML Labs begins final testing

ML Laboratories reported further progress towards the development of its dialysis prodnct during the half year to March 31. In January a clinical trials exemption certificate was ohtained allowing the final testing to begin at the end of March.

The company, which moved np from the Third Market to the USM during the period, also said it was continuing to refine its production methods.

For the six months ML's taxahle losses increased to £172,000 (£30,000) resulting from lower investment income and higher costs. Tax took £122,000 (£155,000) reflecting a full charge on the interest received until the Inland Revenue agrees that the company has begun to trade allowing its expenses to be offset.

UK Land falls into £966,000 loss

In its interim report, which shows a turnround from a profit of £1.72m to a loss of £966,000, UK Land stressed its survival depended very much on the success of the Northampton Business Park.

Mr Colin Tett, chairman, said considerable efforts were being expended which he hoped would result in a letting there before long.

In the six months ended March 31 1991 trading conditions were difficult. Group net rental income fell, there was a loss (profit) on disposal of properties, and interest charges were higher. Other income, however, showed an increase.

The chairman said all developments were substantially completed and efforts were aimed at letting the properties and identifying new trading opportunities. Properties were being sold to reduce debt, and borrowings, exclnding Northampton and Camden Lock, were down to £23.6m.

Interest of £1m in funding Northampton was allocated to the cost of the project. Debtors in respect of Northampton totalled £13.3m.

Geared Income net asset value at 95.66p

Geared Income Investment Trust, which was launched on April 2, had a net asset value per share of 95.66p at June 30.

Earnings were 1.52p and the trust is paying a maiden quarterly dividend of 1.5p. The first dividend is on target for the forecast gross yield of 10.25p for the year, the trust said.

Murray Smaller net asset value lower

Murray Smaller Markets Trust, managed hy Murray Johnstone, had a net asset value of 275.82p at May 31 compared with 282.36p a year earlier.

Net revenue for the year rose from £2.03m to £2.87m for earnings of 5.12p (3.62p). A final dividend of 2.55p (2.2p) is proposed for a 3.75p (3.3p) total.

List broking halts Dudley Jenkins

Pre-tax profits of Dudley Jenkins, quoted on the USM, fell from £766,000 to £340,000 in the year ended April 30 1991, reflecting the speed, ferocity and depth of the recession in the second half.

Mr Tylan Bahcheli, chairman, said that the adverse trading conditions only materially affected one company – the list hroking business. The rest of the group traded "as well as anticipated".

Turnover cama to £8.8m (£8.5m) and the operating profit to £277,000 (£412,000). There was compensation for fire loss £255,000 (£356,000) less this time £120,000 for an uninsured loss.

The dividend is raised to 4p (3.8p) with a final of 2.7p. Earnings per share were 3.63p (8.89p), or 4.97p before the uninsured fire loss.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.07.91: Pool purchase price £/MWh	Final Prices for Trading on 28.06.91: Pool purchase price £/MWh	Final Prices for Trading on 28.06.91: Pool selling price £/MWh
0030	17.80	16.04	16.04
0100	15.69	16.04	16.04
0130	15.50	16.04	16.04
0200	15.50	16.04	16.04
0230	15.50	16.04	16.04
0300	15.50	16.04	16.04
0330	15.50	16.04	16.04
0400	15.50	16.04	16.04
0430	15.50	16.04	16.04
0500	15.50	16.04	16.04
0530	15.50	16.10	16.10
0600	15.63	16.10	16.10
0630	15.69	16.30	16.30
0700	17.54	19.12	20.70
0730	17.54	20.89	22.51
0800	18.42	21.23	22.89
0830	19.77	31.45	33.32
0900	21.29	32.11	34.10
0930	21.29	35.59	37.82
1000	21.29	36.36	38.69
1030	21.29	36.82	39.25
1100	21.29	42.57	45.28
1130	21.29	45.76	48.63
1200	21.62	44.37	47.37
1230	21.63	45.42	48.23
1300	21.29	41.63	44.09
1330	22.12	34.87	36.85
1400	24.88	29.58	31.34
1430	24.85	25.34	27.01
1500	21.62	21.29	22.87
1530	24.88	21.40	23.01
1600	27.21	31.01	32.88
1630	27.22	37.70	39.78
1700	26.10	37.75	39.80
1730	21.62	37.40	39.41
1800	21.29	30.62	32.41
1830	19.22	21.02	22.68
1900	19.22	21.30	21.30
1930	18.56	20.00	20.00
2000	18.56	17.09	17.09
2030	18.56	17.09	17.09
2100	19.50	20.87	22.48
2130	21.30	20.87	22.47
2200	19.50	22.86	24.51
2230	19.50	22.86	24.48
2300	18.08	22.85	24.48
2330	17.54	20.87	22.48
2400	17.54	18.66	20.21

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

CONTRACTS & TENDERS

REPUBLIC OF POLAND

Ministry of Privatisation

Invitation to Negotiate

Pollena Nowy Dwor and Pollena Raciborz

As part of the Polish Government's Privatisation programme and in accordance with Art. 23 of the State Enterprises Privatisation act ("Privatisation Act") an Invitation is extended by the Minister of Privatisation, acting on behalf of the State Treasury of the Republic of Poland, to interested parties with proven experience in the cosmetics/toiletries/detergents industry to record and thereafter pursue their interest in, or in the business of, two soon to be in corporated joint stock companies, which will own the business and assets of the Polish state owned enterprises:

- Pollena Nowy Dwor
- Pollena Raciborz

In addition to the proposed sale of a majority stake in these companies to a trade purchaser, the employees of Pollena Nowy Dwor and Pollena Raciborz will be offered shares in the company they work for in accordance with the Privatisation Act.

Pollena Nowy Dwor and Pollena Raciborz are both leading manufacturers of detergents and soaps in Poland. In addition, Pollena Nowy Dwor is the leading Polish manufacturer of Fatty acids.

This invitation is carried out as part of the privatisation initiative for the Polish cosmetics, toiletries and detergents sector currently undertaken by the Polish Ministry of Privatisation, which has already led to the sale of Pollena Bydgoszcz.

The Ministry of Privatisation reserves the right to reject offers submitted, or to modify the privatisation procedure, should this be in the interest of the Ministry or the Companies.

Procedure:

Interested parties should record their interest in the above matter by contacting the undermentioned transaction manager whereupon they will be sent a confidentiality letter for execution as a condition precedent to their receiving an information package on Pollena Nowy Dwor and, or Pollena Raciborz. Inquiries concerning the privatisation initiative for Polish cosmetics, toiletries and detergents sector should also be addressed to the undermentioned transaction manager:

Dr. Bernd Venohr or Fritz Seikowsky or Tuomo Hatakka

Bain & Company
Germany, Inc.
Thomas-Wimmer-Ring 3
D-8000 Muenchen 22

Tel. 089/29011-0
Fax: 089/29011-113
Telex: 5214124

WOOLWICH BUILDING SOCIETY

£150,000,000
Floating Rate Notes
Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 23rd July 1991 to (but excluding) 23rd October 1991, the Notes will carry an interest rate of 11⅛ per cent. per annum. The relevant interest payment date will be 23rd October 1991. The coupon amount per £5,000 Note will be £140.21 and per £100,000 Note will be £2,804.11 payable against the surrender of Coupon No: 6.

Hambros Bank Limited
Agent Bank

KANSALLIS INTERNATIONAL BANK S.A.

Ecu 25,000,000 Subordinated Floating Rate Notes due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from July 23, 1991 to January 23, 1992 the notes will carry an interest rate of 10 3/16% (inclusive 3/16% margin).

The coupon amount so calculated will be Ecu 52,069.

BANQUE GENERALE DU LUXEMBOURG S.A.
AGENT BANK

BUSINESS AND THE ENVIRONMENT

Think-tank advocates incentives

The Bow group, a conservative think-tank, has called for the introduction of an energy tax to be imposed like Value Added Tax on the use of all fossil fuels, in a report* published yesterday.

The group, headed by Peter Rost, MP for Erewash and a member of the House of Commons energy select committee, also called for the removal of VAT on products that enhance energy conservation.

In addition, the UK should set a national target for carbon dioxide emissions to be reduced by 20 per cent below the current level by the year 2005, the report urged. The current target announced by the UK of stabilising these emissions in that time is "timid and inadequate", the report stated.

In a bid to reduce emissions, the Bow group – which includes MPs, oil and gas industry representatives, academics and consultants – calls for the promotion of renewable energy sources through grants, soft loans and fiscal incentives.

It specifically mentions the Severn Barrage project in Avon which aims to harness tidal power in a development that could create one-seventh of current electricity consumption in England and Wales. The report estimates that this would cut UK carbon dioxide emissions by 3 per cent.

Combined heat and power station projects should be given a boost with fiscal and planning incentives, the group urges – only 3 per cent of British power station output currently uses the waste heat from power stations' hot water.

The report calls for providing the UK's newly privatised regional electricity companies with strong incentives to reduce fuel consumption by being more energy efficient. At the same time it urges more competition in the electricity industry. "We urge the secretary of state to make clear his intention that the private sector duopoly of National Power and PowerGen will be broken up if anti-competitive behaviour emerges."

Deborah Hargreaves

**Energy: The New Priorities, the Bow Group, 92 Bishops Bridge Road, London W2 5AB. Price £11.50*

Barbara Durr examines the Chicago Board of Trade's proposal for free-market environmental control

Creating a future for pollution

Richard Sandor, a director of the Chicago Board of Trade, has a vision of how a free-market approach to global pollution control should one day work. "Somehow we have to find a way to pay Brazil to put out oxygen and penalise those who suck it up," he says.

Taking a step in that direction, the CBOT last week put forth a proposal, in large part masterminded by Sandor, to trade futures in US pollution permits. The proposal is designed to enhance the acid rain reduction programme of the US Environmental Protection Agency. It would also break entirely fresh ground for *futures trading.*

Under the mandate of the Clean Air Act of 1990, the EPA will issue permits for fossil fuel-powered electricity companies to emit a certain level of sulphur dioxide (SO_2) between 1995 and 2000. The object of the first phase of the two-part programme is to bring 111 targeted "dirty" utilities into compliance with stricter air standards by the turn of the century.

The plants will be forced to lower their emissions of SO_2, the most harmful ingredient in acid rain, from the high but currently acceptable level of 2.5 pounds/million British thermal units a year to 1.2lbs/mBtu by 2000. During each of the five years before the deadline, the EPA will issue allowances for emissions that correspond to 2.5mBtu times each plant's average use of fossil fuel consumed from 1985 to 1987. At least 5.3m allowances, each authorising one tonne of SO_2 emissions, are expected to be allocated each year.

In phase two of the plan, which would affect all utilities, SO_2 emissions would be capped permanently at 8.9m tonnes per year, or 10m tonnes less than in 1980. Allowances would also be allocated for phase two, but never for more than the cap. This would mean that growth would have to be compensated for by cleaner, more efficient energy production.

Under tha Clean Air Act, these permits can be traded by anyone. While this novel concept is experimental and many of the regulations governing the trading are still to be worked out, the free-market approach is expected to enable power plants to decide what is the most effective way for them to comply with the legislation's acid rain requirements.

According to the EPA's draft of its programme, utilities which reduce their SO_2 emissions – by employing, for example, new clean coal technology, shifting to cleaner burning coal or moving away from fossil fuels – will have allowances to spare and can sell them for financial benefit. Plants that cannot implement the changes fast enough will need to buy allowances.

Alice LeBlanc, a staff economist with the Environmental Defence Fund, e private green group which has helped craft the programme, says: "The neat thing about this is that it gives the polluters themselves a reason to care about cleaning np." Moreovar, she expects that with such a financial incentive "the trading system will encourage polluters to control more than what is required by law".

The CBOT proposes to become the central marketplace for the allowances. It intends to start trading in forward contracts in the allowances themselves by 1993. Then it aims to create a market for futures contracts based on the allowances.

Les Rosenthal, a director of the CBOT and a backer of the plan, says that what tha exchange offers is its experience in price discovery and the know-how of setting up a market in what has naver been traded.

Officials at some utilities companies, however, are sceptical of the proposal. They point out that ntilities are heavily regulated monopolies – in order to keep rates low for the public – and as companies they hardly function as free agents in a free market.

The fraud-tainted reputation of the futures markets may not help in this regard. Community oversight boards and state utilities regulators – not generally known for their financial creativity – may not feel it is prudent as a strategy to trade their allowances or hedge in the markets.

With respect to any company decision, thay are legally obliged to impose what is called a "least cost" plan for the sake of rate payers. They could force the companies to simply sit on their allowances – which are good for successive years – just in case there is a need for expansion or some other event at the plants that forces greater emissions than planned for.

LeBlanc is worried that public utility commissions could regulate tbe treatmant of allowances in such a way as to cripple the emergence of a market. Her group is planning a lobbying effort with state regulators to influence them to make decisions that will foster allowance trading.

Another pressure on the proposal's implementation is coming from state governments. Illinois officials, for example, while endorsing the free market approach, say they would prefer to have the deadline for the programme postponed three years.

Illinois, which is the fifth-largest coal producer in the US and the leading state for reserves of soft sulphurous coal, is trying to keep its coal industry alive by promoting the development of clean coal technology.

Kim Underwood, director of the Office of Coal Development and Marketing at the Illinois Department of Energy and Natural Resources, says that a delay would give more time for the development of effective clean-coal technologies.

It is unlikely, however, that the programme will ba postponed. Already there is legislation proposed that aims to build on the SO_2 allowance trading plan in order to deal with greenhouse gases.

Last month, in both houses of the US Congress, a bill was introduced that would set up an plan whereby companies would be required to offset their emissions of greenhouses gases by planting trees or taking part in a variety of conservation measures. With international vigilance of chlorofluorocarbons already in the works, Sandor's vision may not be as far fetched as it at first seems.


Environmental permits set to sweep the trading floor

Malcolm Rifkind, the UK transport secretary, has added the concept of tradeable credits to the options which the EC is considering in an effort to curb carbon dioxide emissions from cars.

The idea, however, is already receiving a cool response from the motor industry. While not displaying outright hostility to the concept, companies like Ford suggest thet a more broadly-based approach to the problem is called for, such as improving traffic infrastructure and management, and a carbon tax.

Carbon dioxide is the principal "greenhouse" gas responsible for global warming and will be emitted by cars for as long as the latter have internal combustion engines, because CO_2 is an inescapable product of the combustion process.

Under Rifkind's proposals, already submitted to the EC Commission, a target average level of fuel economy or CO_2 emissions would be set to which all manufacturers would aspire. A manufacturer would choose either to achieve the required average miles per gallon (mpg) or CO_2 level, or exceed it and sell credits to other manufacturers, or even do worse than the average – inevitable with manufacturers in the executive and sports car sectors – and buy credits from makers of more economical cars.

The system's perceived benefit is that a manufacturer would be free to make its own decisions about how quickly to improve miles per gallon – it would provide the benefits of regulation without distorting the market.

Such a system would also encourage innovation and a move towards smaller cars. A CO_2 rather than mpg target is preferred by the industry as this would encourage the development of alternative fuels.

The industry remains critical of the government's refusal to open up, through taxation, a wider price differential between petrol and diesel. Their carbon is similar, the industry points out, but the greater economy of diesel vehicles would make the CO_2 target easier to achieve.

John Griffiths

Soviet Union on a green mission

By Della Bradshaw

While the international news headlines were usurped last week by Mikhail Gorhachev and his entourage wooing leaders from the group of seven industrial nations, another group of Soviet citizens were also visiting Britain.

Although their mission was less publicised, it, too, demonstrated a sea change in Soviet views. The group of 16 industrialists, mainly from the metals, petrochemical and chemical industries, were visiting UK companies to glean information on how to stem pollution in the Soviet Union and how to clean up sea and land that had already been polluted.

Leader of the group, former cosmonaut Vladimir Aksenov, now general director of the Planeta space research and production company, in Moscow, said the team saw a range of technologies used by UK firms in situations analogous to those experienced in the Soviet Union. And, he said, they were impressed by tbe scrupulonsness of British companies in looking after their equipment and adhering to regulations on pollution.

> **While the Soviet Union has stringent pollution regulations, industry continually fails to meet them**

While the Soviet Union has pollution regulations as stringent as those of many European countries, industry continually fails to meet them, reported Aksenov. One of the things that struck him most forcibly was the sanctions that are imposed in the UK – fines, for example – if the laws are broken. This, joked Aksenov, was not the case in the Soviet Union, even though punishment for law-breaking was common enough there for other crimes.

Aksenov was clearly pleased with what he called the UK experts "great delight" in showing their Soviet counterparts what could be achieved. The list of organisations visited on the Department of Trade and Industry-sponsored tour, organised by PCA International, of Hertfordshire, comprised trade bodies, manufacturers and resaarch organisations.

These included the eastern European operations of John Brown, the engineering group, PA Environmental, in Cambridge, Cerel, part of the Burmah oil group which specialises in air pollution control filters, Unicam, which makes electronic control systems, Shanks & McEwan, the landfill operators, the Institute of Wastes Management and Wessex Water, the west country water company.

Once back in the Soviet Union Aksenov says he and his co-delegates will disseminate the information gathered in the UK as widely as possible. One of the particular lessons that Aksenov will want to share, he says, is the idea that – although expensive – it is better to huy new machinery rather than trying to clean up emissions from old equipment.

As to getting things done, the former cosmonaut believes the Soviet Union's biggest asset is its workforce expertise which, he argues, could manage a range of technologies with the appropriate tuition.

The second stage for Soviet companies will be to work with non-Soviet ones to implement technologies. But Aksenov is realistic that such ventures require improved economic conditions in the Soviet Union.

Aksenov's experience in trying to get joint international developments off the ground have so far proven disappointing for the former cosmonaut. As bead of the Planeta research company, which specialises in using satellite imaging to datect the spread of anvironmental pollntion, Aksenov has argued for co-operation between all the environmental satellite bodies in order to produce more comprehensive monitoring. Environmental issues, be argued, were international issues.

The last resort is for the Soviet Union to be given aid, says Aksenov. As a director of Mosbusinessbank, the largest private Soviet bank, he knows that in the end it all comes down to money.

FT LAW REPORTS

Lords quash conviction in cheque and credit card case

REGINA v KASSIM
House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Ackner, Lord Jauncey of Tullichettle and Lord Lowry): July 18 1991

A PERSON who has obtained a cheque book and credit card by false pretences is not guilty of "procuring the execution of a valuable security by deception" when he uses them to obtain money and goods, in that "execution" is a technical term which means that tha bank or credit card company does something to the cheque or voucher such as signing or validating it, and does not merely give effect to it hy making payment.

The House of Lords so held when allowing an appeal by the defendant, Mr Semiyu Gbenga Kassim, from a Court of Appeal decision upholding his conviction for procuring the execution of a valuable security by deception.

Section 20(2) of the Theft Act 1968 provides: "A person who dishonestly ... by any deception procures the execution of a valuable security shall ... be liable to imprisonment ...; and this subsection shall apply in relation to the making, acceptance, indorsement, alteration, cancellation or dastruction ... of a valuable security ..."

LORD ACKNER said that on November 26 1986 Mr Kassim was convicted of obtaining property by deception contrary to section 15 of the Theft Act 1968, and with procuring the execution of a valuable security by deception contrary to section 20(2).

The Crown's case was that from January to March 1986 a number of bank accounts were opened with Lloyds Bank, and a Lloyds Bank Access card was issued, all in the name of Michael Scott of 10 Sandringham Road, London E8.

By April 1986 the accounts were £8,338 overdrawn, and £943 was ontstanding on Access.

A *bureau de change* became snspicious when Mr Kassim attempted to cash a cheque and produced a cheque guarantee card in the name of M Scott. The police were telephoned and he was arrested.

In his possession were four Lloyds cheqne books, an Access card, and a Eurocheque card, all in the name of M Scott of 10 Sandringham Road. Subseqnent investigation showed that he had no connection with 10 Sandringham Road. After much prevarication and an sttempt to escape from police custody Mr Kassim admitted his trua nama and address, which was in West Ferry Road, W14.

A number of Access vouchers and and cheque counterfoils relating to "M Scott" were found at that address.

At the trial the sole issue was whether the person who had conducted the fraudulent activities was Mr Kassim. The issue as to the true construction of "execution" in section 20(2) was not raised until notice of appeal was filed.

Leave to appeal was granted only against the convictions for procuring the execution of a valuable security by deception.

The Court of Appeal dismissed the appeal in the light of *R v Beck [1985] 1 WLR 22*, and *R v Nanayakkara [1987] 1 WLR 265*.

It certified a point of law of general public importance, as to whether there was an "execution" within section 20(2), when a bank on which e cheque was drawn, or a credit card company which received a credit voucher, gave effect to it by paying it.

Mr Kassim contended that "axecution" in section 20(2) meant doing something to the face of a document, such as signing it, or performing formalities to give it validity.

The Crown contended that "execution", in addition to those meanings, meant giving effect to the document, and therefore included payment out of the value of the valuable security.

Section 90 of the Larceny Act 1861 provided thet a person who by false pretence fraudulently caused another to "execute, maka, accept, endorse ... any valuable security" was guilty of a misdemeanor.

By section 1 "valuable security" included "any debenture, deed, bond, bill, note, warrant, order, or other security".

In the same year the Forgery Act 1891 provided that a person who forged "any bill of exchange, or any acceptance, endorsement or assignment of any bill of exchange" with intent to defraud, was guilty of felony.

It was clear from that section that "acceptance" was used in its technical sense. By parity of reasoning, the same must apply to "accept" in section 90 of the Larceny Act.

The Larceny Act 1916 section 32(2) re-enacted section 90 of the 1861 Act. It made no material change.

The Theft Act 1968 repealed the Larceny Act 1916. Section 20(2) was not in precisely the same terms. The offence consisted of dishonestly procuring execution of the valuable security, and the subsequent words, "... and this subsection shall apply ...", clearly indicated that "execution" was a shorthand expression for an extensive range of acts spelt out in the subsection itself.

They included the "making, acceptance, endorsement, alteration, cancellation or destruction" of valnable security. "Alteration" and "cancellation" were the only new activities.

Those were all words particularly apt to describe acts done to bills of exchange and other negotiable instruments.

The question was whether the legislature intended by section 20(2) to expand the meaning of "execute" so that it included "give effect to".

The Act was the product of the Criminal Law Revision Committee. It reproduced the substance of the offence under the 1916 Act of fraudulently procuring the execution of a valuable security, but the language was altered to accord with other provisions relating to deception offences (see paragraph 107 of the committee's eighth report, *Cmnd 2977*).

There was apparently no intention to make any alteration.

In *R v Beck*, the appellant obtained goods by forging stolen travellers' cheques or using s stolen Diner's Club card. He was convicted of procuring the execution of a valuable security by deception.

The Court of Appeal, which was not addressed as to the legislative history of section 20(2), took the view that "execntion" was not to ba construed in a restricted sense. It held that when a travellers' cheque was accepted by a payer who paid its value, he executed it. Likewise, when Diner's Club accepted a bill for payment and paid it, execution took place.

In *R v Nanayakkara* stolen US social security orders were endorsed and handed to a bank cashier in London for monies to be credited to a US bank account. The trial judge ruled that "acceptance" in section 20(2) meant "taking into possession" and was not restricted to its technical meaning.

On the appeal Lord Lane CJ traced the history of section 20(2) and conclnded that "acceptance" had been used in its technical sense in the 1916 Act and that section 20(2) was not using it in any different sense. Accordingly, "acceptance" had, in relation to valuable securities, no other meaning than its proper commercial meaning. It was a term of art having acquired a special and restricted meaning.

He distinguished *R v Beck* because in *Nanayakkara* there was no payment out; all that had happened in the UK was that the orders were handed to the bank. The mere handing over of valuable securities to the bank could not possibly have amounted to an "acceptance". The appeal was allowed.

The Court of Appeal's decision in *Nanayakkara* was correct. The 1968 Act was not intended to make any changes in the law. "Acceptance" did not have the wide meaning attribnted to it in *Beck*. It had a narrower technical meaning. It referred to the drawee's act of writing on the bill and signing his assent to the order of the drawer.

It was also clear from the legislative history of section 20(2) that "execution", which was deemed to cover the various activities detailed in the subsection, had as its object a variety of documents, including bills of exchange and other negotiable instruments.

The subsection contemplated acts being done to or in connection with such documents. It did not contemplate, and accordingly was not concerned with, giving effect to the documents by carrying out the instructions which they might contain, such as delivery of goods or payment of money.

The convictions wara quashed.

Their Lordships agreed.

For Mr Kassim: JJ Rowe QC and Laurence Giovene (Adams Harrison).

For the Crown: Richard Du Cann QC and James Curtis (Crown Prosecution Service).

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Drought brings sharp cut in Soviet grain estimate

By Leyla Boulton in Moscow

THE SOVIET grain harvest this year will be down to between 195m and 200m tonnes after processing, compared with last year's net production of 218m tonnes, according to Mr Nikolai Averyanov, the Soviet deputy agriculture minister.

Mr Averyanov said that although the area sown was the same as last year, drought had affected the harvest in several grain-producing areas, such as the Urals and Kazakhstan.

Despite continued need for imports, he added, there had already been a significant drop in grain imports this year – partly because of a fall in Soviet oil revenues and a switch to hard currency trading with former Comecon countries. He gave no figures but Interfax, the unofficial news agency, reported that about 10m tonnes of grain had been purchased abroad in the first half of 1991, including 6m tonnes of US maize.

The US government recently granted the Soviet Union $1.5bn in export credit guarantees, but banks have been reluctant to lend money to the Soviet Union for food purchases despite the guarantees. Western estimates put Soviet grain import needs this year at between 40m to 70m tonnes.

Mr Averyanov also blamed a fall in milk and meat output on shortages of fodder. The Soviet statistics agency, Goskomstat, said yesterday these were down 10 and 12 per cent respectively in the first six months of this year compared to the previous half year.

Chicago prices rise strongly

By Barbara Durr in Chicago

HOT ARID weather across the midwestern United States is pushing grain futures prices strongly up at the Chicago Board of Trade. By mid-morning yesterday, soyabean futures for September rocketed 23.25 cents to $5.59 and September maize rose 8.5 cents to $2.45¼. Wheat futures for September followed along, up 8 cents to $2.86½.

Trading yesterday was "all weather" said one analyst from Geldermann, the large Chicago commodities trading house. While an unusually long midwestern heat wave had already been pushing up prices, traders' concerns were supported by a US Department of Agriculture report released after the close of trading Monday.

The report, a USDA weekly crop assessment, said that the maize and soyabean crops were being damaged. The department said that only 58 per cent of the maize crop was in good to excellent condition compared to 66 per cent the previous week. The portion of the soyabean crop in good to excellent condition dropped to 52 per cent from 61 per cent the week before.

Upward pressure on prices is expected to continue, given that national weather services are forecasting little rain for two of the key grain states, Iowa and Illinois, which are already dry. The dryness comes at a crucial stage for both the maize and soyabean crops. This is the pollination point for maize and the moment when soyabean plants sprout the pods that render the beans. If these critical processes for the crops are hindered, greater crop damage can result.

Soviet boost for Malaysian market

By Lim Siong Hoon in Kuala Lumpur

THE SOVIET Union has given the Malaysian commodities market a boost with an official request over the week-end for M$558m (£120m) in credits to buy local agricultural commodities, especially crude palm oil.

Near-month palm oil prices in the Kuala Lumpur Commodity Exchange rose on Monday to M$839 from last Friday's close of M$829 a tonne to M$839, while the October price, the most active, rose from M$821 to M$834.

Mr V.S. Mordinov, the Soviet deputy foreign minister, made the credit request in a meeting with Mr Lim Keng Yaik, the Malaysian primary industries minister. Mr Mordinov and Mr Yuri D. Maslykov, the deputy prime minister, are visiting Malaysia in response to a government invitation to a weekend meeting on trade and regional politics of the Association of South East Asian Nations (Asean).

Mr Lim said his ministry would recommend the cabinet to consider "seriously" the request, the first of this magnitude from the Soviet Union.

The Soviet Union is asking for delivery within the next six months 350,000 tonnes of palm oil and palm oil products, compared with 20,000 tonnes during the first half of the year.

Should the deal be concluded it would one of the most significant advance for Malaysia in its search for agricultural markets outside its traditional markets in western Europe and north America. Dr Mahathir Mohamad, the prime minister, also travelled to south America earlier this month to promote trade and palm oil exports.

The Soviet Union normally takes 6 per cent of Malaysian palm oil exports.

MINOR METALS PRICES

Prices from Metal-Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,620-1,650 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.90-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.30-1.50 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 12.85-13.20 (13.00-13.40).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 80-95 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.32-2.37 (2.35-2.40).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-60 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.40-2.50 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 9.05 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+2,325	to 485,875
Copper	+1,325	to 258,875
Lead	−150	to 83,800
Nickel	+570	to 4,872
Zinc	+2,025	to 120,275
Tin	+35	to 14,350

Ertzberg-Grasberg – 'The world's greatest ore body'

By Kenneth Gooding, Mining Correspondent

MR MILT Ward says of the Ertzberg-Grasberg mines, in the highlands of Irian Jaya, Indonesia: "It is the greatest ore body in the world."

As president of Freeport McMoRan, which owns most of that ore body, he undoubtedly is biased. However, most analysts agree with him. The facts speak for themselves.

The relatively new Grasberg mine has the largest published gold reserve of any single operating mine in the world – 22m troy ounces. Yet there is much more exploration to be done to define the final outline of the ore body.

Gold is only a by-product, as is the silver that is present in large quantities. Grasberg is being mined for its copper. Already 15bn tonnes of copper have been identified.

When the gold and silver by-products are included, Grasberg's cash cost of producing copper is only 40 cents a lb, putting among the cheapest in the world. Freeport has locked in a floor price of 95 cents a lb for 200m lb of copper in the second half of 1991, or roughly 88 per cent of expected sales in that time.

Mr Ward says that, as output increases, the cost should fall to 30 cents a lb.

Freeport is in the process of spending US$507m to raise the amount of ore processed at Ertzberg-Grasberg from 20,000 to 52,000 tonnes a day by early next year. This will boost annual output to 600m lb of copper and 600,000 ounces of gold.

Reserves have been growing so fast that Freeport is looking at the economics of lifting production again to 57,000 tonnes a day and then to 90,000 tonnes. At 90,000 tonnes a day, Grasberg would produce nearly 1bn lb of copper a year, 1.45m ounces of gold and 3.25m ounces of silver.

That is not the end of it. In June this year the Indonesian government initialled a new contract of work that gives Freeport exclusive rights for exploration for copper and associated minerals within an area of 6.1m acres, adjacent to and 250 times larger than the company's existing contract of work area. The contract runs for 30 years with allowance for two ten-year extensions.

Mr Ward says he hopes eventually to have a dozen mines in the area.

One big drawback is that there are no roads, power lines or other infrastructure for hundreds of miles outside the present mine area. It is impossible even to land a helicopter in much of the area. But, in case Freeport needs help, nearly every international mining company has been calling to enquire about joint ventures. Mr Ward says: "If appropriate we would take in partners, to use their skills and money. But not at the moment".

As usual with mining projects, the ownership of the "greatest ore body in the world" is fairly complex. Freeport McMoRan, based in New Orleans, owns 78 per cent of Freeport Copper and Gold, another US-quoted company and domiciled in Reno, Nevada. Freeport Copper now controls 80 per cent of Freeport Indonesia, which owns and the mines and exploration area. The new contract of work called for Freeport Copper's previous 90 per cent stake to be reduced through the sale of shares to Indonesian investors. This has just been done and Freeport Copper collected US$213m, thus valuing Freeport Indonesia at more than US$2.1bn. By the year 2011, Freeport Copper must reduce its shareholding to no more than 49 per cent.

Freeport's Indonesian struggles pay dividends

Claire Bolderson reports on a copper project involving almost unbelievable feats of engineering

TWENTY YEARS ago it took extraordinary vision, millions of dollars and an almost unbelievable feat of engineering to build the Freeport copper mine high in the rugged mountains of Indonesia's Irian Jaya province. There must have been moments when the American-based company, faced with some of the most inhospitable terrain on earth, low world copper prices and increasing criticism of the mines environmental and social impacts, wondered if it was all worth it.

Now however, Freeport Indonesia's early efforts are paying off and its mining activities are growing. New mineral deposits are being exploited in the huge copper and gold rich Grasberg mountain and the company last month announced total ore reserves of 483m tonnes. An ambitious mill expansion programme, which will eventually yield 57,000 tonnes of ore a day, is almost complete and Freeport has just initialled a new 30-year contract of work with the government, which it expects to ratify later this year.

Freeport, now Indonesia's biggest corporate taxpayer, was in 1967 the first foreign company to invest in the country under President Suharto's new government. It was drawn to the eastern-most province of Irian Jaya (formerly Dutch New Guinea) by the Ertsberg mountain – a huge outcrop of copper – which went into production in 1972.

To get at the copper Freeport built a 104 km (65 mile) road from the swamp lands on the totally undeveloped southern Irian coast up into the glacier-capped mountains. The town of Tembagapura was built some 2,500 metres above sea level to provide homes for mine employees, now numbering 7,400. The company constructed a mill and built the longest single-span aerial tramway in the world to connect it with the mine site.

A 115 km slurry pipe was laid to carry copper from the mill to the port that the company carved out of the jungle below and from where copper concentrate is shipped to smelters, mostly in Japan. As one Freeport executive sums it up "everything was a logistical nightmare". Today all that is left of the Ertsberg is a steeply terraced pit. There are still some 3m tonnes of copper at the bottom, which will be mined from underground, and there is underground mining also at the Ertsberg East site nearby.

But it is the Grasberg mountain 3 km away that is now the focus of Freeport Indonesia's attentions. Grasberg has an estimated 396m tonnes of ore reserves at an average grade of 1.54 per cent copper, 2.03 grams of gold per tonne and 3.40 grams of silver per tonne. Its gold reserve is the largest published of any operating mine in the world.

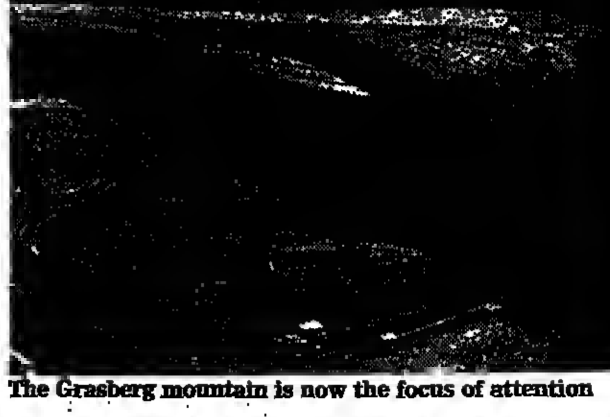
Production at Grasberg, which will eventually be one of the world's biggest open pit mines, began in January of last year and by the end of 1990 Grasberg was supplying more than 50 per cent of the ore going to the mill. At the mill, a big expansion programme has been under way to cope with the new mine activity.

The plan is to increase mill capacity to 57,000 tonnes a day by early 1992, up from an average daily output of 24,700 tonnes in 1989 and 31,700 last year. All this growth is a far cry from the time, as recently as five years ago, when Freeport thought that the end of the Ertsberg would be the end of its operations in Irian Jaya. With the Grasberg discovery and the prospect of a lot more copper and gold being found in the mountains that run to the border with Papua new Guinea the company wants to stay and make the most of its early investment.

The new contract of work has a 30 year term with the prospect of two 10-year extensions. It adds some 6.5m acres to Freeport's current mining area of 24,700 acres and it requires Freeport Indonesia to transfer all its assets and liabilities to a newly-formed Indonesian corporation.

At the moment, the Indonesian government owns 10 per cent of Freeport Indonesia and the company will sell another 10 per cent to Indonesian investors at a price of about $213m. In the first ten years of the next century, Freeport will reduce its share of ownership further.

Freeport's new commitment to staying in Irian Jaya has led to a major review of its policies and attitudes towards the local people of the province. It has also meant that the company has had to start addressing some long-neglected environmental questions associated with its mining operations. Over the past years, Indonesian pressure groups have accused Freeport of neglecting local economic needs, uprooting native Irianese from their traditional lands, destroying the environment and failing to make a positive contribution to the communities in the area.


The Grasberg mountain is now the focus of attention

It was difficult to establish a true picture because Freeport's activities were virtually sealed off from outsiders. Now, however, the company is making a determined effort to portray a different image, one which it says reflects its commitment to the people of the region. It has set up a foundation that is putting money into building villages, clinics and schools in the coastal areas near its port. Tembagapura buys large amounts of local produce from Irianese fishermen and traditional farmers and the company is planning a $25 business incubation scheme to help small-scale Indonesian businesses get off the ground. Freeport also says it wants to recruit more Irianese to the work force. It points out that few Irianese have in the past been equiped with the skills needed at the mine but that as local people become better educated, they will stand a better chance of being hired.

Important environmental questions remain, however. Freeport knows this and wants to do something about them. It has this year set up an environmental department at Tembagapura and for the first time since mine production began 18 years ago the company is monitoring regularly the Ajikwa river into which it dumps all its copper tailings. It is also carrying out reclamation projects and assessing the environmental impacts of its new mining activities.

Environmentalists remain concerned. They are anxious about the increase in tailings as the operation at Freeport expands, about the possible silting up of the river and about the possibility that the material in it may become toxic. They criticise Freeport for having failed to consider these issues for so many years and for failing even now to plan ahead adequately. They are also concerned about the huge amounts of overburden that have to shifted from the Grasberg mountain to get at the ore.

By the time Freeport has finished with the Grasberg the mountain, like the Ertsberg, will have disappeared. Environmentalists say the company must plan better for the disposal of its remains.

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices continued to decline on the LME, although the market was able to absorb fairly heavy producer hedge sales. The 2,325 tonnes rise in LME warehouse stocks (to a record 485,875 tonnes) was much smaller than expected but traders confidently expect further substantial arrivals in LME warehouses over the summer. Nickel prices recovered earlier losses to close fairly steady. LME warehouse stocks rose by a further 570 tonnes to 4,872 tonnes, more than twice the level of a week ago. Platinum closed $1.50 down at the close on the London bullion market at $377.50 a troy ounce despite the announcement by Lonrho South Africa that it was having talks with Glavalmaz Zoloto, the Soviet Union's precious metals organisation, about possible complementary technical and marketing arrangements. Mr Paul Spicer, a director of Lonrho, pointed out that GZ was "a major force in the world platinum market and we have the highest regard for its marketing abilities." Analysts have suggested that South Africa and the Soviet Union might be working towards a platinum cartel. There was active two-way trading in silver and the metal ended 8 cents lower at 430.5 cents a troy ounce. Gold came under pressure from US banks.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.25-6.30u	-0.30
Brent Blend (dated)	$19.50-9.55u	-.475
Brent Blend (Sep)	$19.55-9.60	-.375
W.T.I. (1 pm est)	$21.35-1.40	-0.45
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$242-244	-1
Gas Oil	$187-188	-1
Heavy Fuel Oil	$72-74	-1
Naphtha	$190-192	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.85	-1.65
Silver (per troy oz)♣	430.5c	-8.0
Platinum (per troy oz)	$377.50	-1.5
Palladium (per troy oz)	$85.50	
Copper (US Producer)	103.4	-0.1
Lead (US Producer)	50c	
Tin (Kuala Lumpur market)	15.41r	+0.02
Tin (New York)	263.5	
Zinc (US Prime Western)	82c	
Cattle (live weight)†	108.12p	-0.41*
Sheep (dead weight)†	117.32p	-5.17*
Pigs (live weight)†	63.29p	-4.44*
London daily sugar (raw)	$269y	-7.0
London daily sugar (white)	$333.0y	-2.5
Tate and Lyle export price	£271.5	-3.5
Barley (English feed)	118.5t	
Maize (US No. 3 yellow)	£180.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Aug)♥	53.25p	
Rubber (Sep)♥	53.75p	
Rubber (KL RSS No 1 Aug)	228.5m	
Coconut oil (Philippines)§	$465y	
Palm Oil (Malaysian)§	$352.5y	+6.0
Copra (Philippines)§	$295z	
Soyabeans (US)	£152x	-7
Cotton "A" index	80.20c	+0.10
Wooltops (64s Super)	382p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Aug/Dec t-Oct/Dec u-Sep x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	235.00	232.40	232.00 231.00
Oct	206.60	208.60	208.40 207.00
Dec	189.20	197.60	191.00 188.00
Mar	190.20	193.60	194.00 192.00
White	**Close**	**Previous**	**High/Low**
Oct	281.0	283.0	283.9 281.0
Dec	273.0	275.0	273.0 273.0
Mar	273.5	274.0	274.5 272.8
May	276.5	276.5	277.0 274.5

Turnover: Raw 313 (422) lots of 50 tonnes. White 562 (260)
Paris- White (FFr per tonne): Oct 1684

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Sep	19.50	19.88	19.95 19.49
Oct	19.57	19.97	19.92 19.53
Nov	19.55	19.95	19.91 19.55
Dec	19.60	19.87	19.88 19.60
Jan	19.62	19.79	19.62 19.65
IPE Index	20.01	20.03	

Turnover 10035 (13230)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Aug	183.75	185.75	186.00 182.00
Sep	184.25	186.75	185.50 183.25
Oct	187.00	188.50	188.00 185.25
Nov	188.00	189.50	189.50 186.25
Dec	188.00	190.50	190.00 187.00
Jan	184.50		185.50 184.50
Feb	179.75	182.00	179.75
Mar	175.00		175.00
Apr	172.50	174.25	174.00 172.50

Turnover 11380 (5587) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales for the week ended 19 July amounted to 208 tonnes. Against 107 tonnes in the previous week. Fair trading developed, mostly in Turkish, Russian and West African varieties.

JUTE
August/September: c and f Dundee; BTC $470, BWC $470, BTD $440, BWD $435; c and f Antwerp: BTC $455, BWC $450, BTD $430, BWD $425.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	596	596	597 590
Sep	617	609	610 605
Dec	656	648	658 647
Mar	693	685	685 685
May	715	706	717 707
Jul	735	726	735 727
Sep	755	744	755 745

Turnover: 2906 (3387) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jul 22 778.59 (790.95) 10 day average for Jul 23 788.90 (788.97)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	525	520	527 524
Sep	544	539	550 541
Nov	564	562	572 563
Jan	580	577	589 579
Mar	594	593	600 594

Turnover:1761 (1376) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 22 : Comp. daily 63.99 (64.11). 10 day average 64.77 (64.86)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Sep	85.0		80.0 80.0
Apr	98.6	101.6	102.5 99.3

Turnover 412 (452) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	124.00	121.00	124.00
Oct	127.00	123.60	127.00
Dec	129.50		129.50 129.00

Turnover 70 (60) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jul	1516	1525	1520 1515
Aug	1542	1536	1542 1530
Oct	1619	1620	1620 1605
Jan	1620	1625	1620
Apr	1520		1620
Jul	1350		1350
BFI	1513	1519	

Turnover 154 (211)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	111.40	111.30	111.45
Nov	115.00	114.75	115.05 114.90
Jan	118.60		118.65 118.50
May	124.70	124.40	124.75 124.50
Barley	**Close**	**Previous**	**High/Low**
Sep	109.70	109.50	109.75 109.60
Nov	113.50	113.25	113.50 113.40
Jan	117.00	116.75	117.00

Turnover: Wheat 224 (118), Barley 48 (189).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	89.5		89.0
Aug	89.5		89.0
Sep	94.0	94.0	94.0
Jan	96.0	96.0	96.0

Turnover:71 (42) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	139.43	139.79			
Sep	139.70	140.90	140.30	139.70	95
Oct	140.10	141.30	140.60	140.10	115
Dec	140.50	142.00	141.10	140.50	60

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 22,154 lots	
Cash	1280-1	1281-2		1280-1		
3 months	1314-5	1324-5	1322/1310	1314-5	1311-2	19,713 lots
Copper, Grade A (£ per tonne)					Total daily turnover 36,927 lots	
Cash	1319-20	1321-3	1320	1319-20		
3 months	1340-1	1339-40	1347/1335	1340-1	1337-8	23,233 lots
Lead (£ per tonne)					Total daily turnover 3,095 lots	
Cash	321.5-2.5	321.5-2.5	322	322-2.5		
3 months	333-3.5	331.5-2.5	336/333.5	333.5-4.0	333-4	3,658 lots
Nickel ($ per tonne)					Total daily turnover 2,049 lots	
Cash	8290-310	8300-10		8260-80		
3 months	8310-25	8310-20	8325/8280	8280-90	8290-300	2,098 lots
Tin ($ per tonne)					Total daily turnover 2,554 lots	
Cash	5670-80	5660-5	5670	5670-5		
3 months	5760-5	5752-5	5790/5750	5750-5	5790-800	3,374 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 10,486 lots	
Cash	1061-3	1064-5	1063	1062-3		
3 months	1076-7	1075-6	1082/1075	1075-6	1078-9	11,253 lots

LME Closing £/$ rate: SPOT: 1.6845 3 months: 1.6645 6 months: 1.6501 9 months: 1.76372

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	367.60-368.10	
Opening	368.30-368.70	
Morning fix	368.05	219.758
Afternoon fix	367.40	218.821
Day's high	368.50-368.90	
Day's low	367.30-367.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.51	6 months	5.45
2 months	5.50	12 months	5.44
3 months	5.49		

Silver fix	p/fine oz	US cts equiv
Spot	258.40	432.50
3 months	265.45	438.65
6 months	272.40	446.00
12 months	285.80	461.00

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	367.50-368.50	219.00-219.50
Maple leaf	375.00-376.00	223.30-223.80
New Sovereign	88.00-89.00	52.50-53.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1200	101	140	2	10
1300	23	70	29	38
1400	3	28	102	94
Copper (Grade A)	**Calls**		**Puts**	
2150	97	117	21	64
2250	40	70	64	114
2350	12	38	135	180
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	46	66	2	6
550	12	35	16	22
600	1	15	57	52
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
575	46	86	4	6
600	27	70	10	15
625	14	53	22	23
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1950	58		33	47
2000	20	60		
2050	9	38		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	369.1	367.6	0	0
Aug	368.5	368.1	368.9	367.7
Sep	370.2	369.6	0	0
Oct	371.9	371.6	372.3	371.2
Dec	375.3	375.0	375.8	374.8
Feb	378.9	378.6	379.2	378.1
Apr	382.4	382.1	0	0
Jun	385.9	385.6	0	0
Aug	389.6	389.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	377.3	378.1	0	0
Oct	380.8	381.6	381.5	380.0
Jan	385.0	385.8	385.7	384.5
Apr	388.9	389.7	0	0
Jul	392.8	393.6	0	0
Oct	399.9	400.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	426.0	432.5	430.5	426.0
Aug	428.0	432.7	0	0
Sep	429.0	435.7	433.0	428.5
Dec	436.4	443.2	441.0	438.0
Jan	438.2	445.1	443.0	443.0
Mar	444.5	451.4	448.5	444.5
May	450.0	457.0	455.0	452.0
Jul	455.6	462.7	460.0	457.0
Sep	461.6	468.8	0	0
Dec	471.0	478.3	473.0	473.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	99.25	99.40	99.80	99.00
Aug	99.50	99.70	99.25	99.05
Sep	99.50	99.60	99.95	99.00
Oct	99.15	99.30	0	0
Nov	98.85	99.00	0	0
Dec	98.50	98.65	98.90	98.10
Jan	98.05	98.30	0	0
Feb	97.65	97.95	0	0
Mar	97.20	97.55	97.55	97.00
Apr	96.90	97.30	97.30	97.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	21.38	21.87	21.89	21.29
Oct	21.32	21.76	21.51	21.23
Nov	21.30	21.63	21.41	21.20
Dec	21.10	21.48	21.30	21.10
Feb	20.98	21.18	21.05	20.95
Mar	20.73	21.04	20.88	20.70
Apr	20.70	20.91	20.74	20.74

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5795	5910	5840	5785
Sep	5910	6020	5950	5890
Oct	6015	6135	6065	6010
Nov	6125	6240	6170	6120
Dec	6200	6320	6250	6200
Jan	6225	6330	6260	6225
Feb	6105	6210	6150	6100
Mar	5865	5950	5890	5865
Apr	5640	5735	5640	5640

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	967	960	985	960
Dec	1025	1016	1045	1016
Mar	1070	1067	1097	1064
May	1104	1098	1112	1088
Jul	1128	1122	1132	1124
Sep	1165	1151	1165	1149
Dec	1198	1189	0	0
Mar	1239	1235	0	0
May	1285	1265	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	82.40	83.05	83.55	82.20
Dec	85.75	86.35	86.90	85.70
Mar	89.00	89.60	90.00	89.00
May	91.45	92.00	91.90	91.25
Jul	94.00	94.50	0	0
Sep	96.45	96.50	0	0
Dec	99.00	99.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.20	9.30	9.32	9.15
Mar	8.67	8.72	9.70	8.66
May	8.70	8.74	8.78	8.70
Jul	8.69	8.70	8.89	8.68
Oct	8.65	8.55	8.65	8.88

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	70.98	70.67	72.00	70.90
Dec	70.40	70.08	71.50	70.90
Mar	71.55	71.16	72.45	71.55
May	72.32	71.77	73.25	72.34
Jul	72.92	72.50	73.45	73.20
Oct	69.20	69.23	0	0
Dec	67.95	67.93	68.00	67.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.90	119.70	119.90	118.60
Nov	118.05	118.80	118.40	118.05
Jan	117.65	118.60	118.20	117.60
Mar	118.15	119.15	118.25	118.15
Jul	118.65	119.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 23	July 22	mnth ago	yr ago
1694.0	1695.8	1771.3	1799.8

DOW JONES (Base: Dec. 31 1974 = 100)

	July 22	July 19	mnth ago	yr ago
Spot	123.07	122.61	129.17	131.78
Futures	123.02	122.64	128.92	130.69

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	560/0	535/4	565/4	553/0
Sep	562/4	535/6	565/6	555/0
Nov	569/4	540/0	570/0	560/0
Jan	579/4	550/2	580/2	571/0
Mar	588/0	560/4	590/0	580/0
May	597/6	566/2	600/0	590/0
Jul	601/4	578/2	606/2	595/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	19.23	18.59	19.50	18.90
Sep	19.44	18.74	19.65	19.10
Oct	19.71	18.98	19.85	19.30
Dec	20.12	19.30	20.20	19.66
Jan	20.29	19.45	20.35	19.90
Mar	20.52	19.72	20.62	20.20
May	20.75	20.00	20.87	20.70
Jul	20.97	20.11	21.11	20.97

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	177.4	168.3	178.3	172.5
Sep	175.7	167.1	177.1	172.0
Oct	174.6	166.0	176.0	172.0
Dec	174.9	168.3	176.3	172.0
Jan	175.8	167.2	177.2	172.5
Mar	175.7	168.5	178.5	173.0
May	176.8	169.5	178.0	176.5
Jul	177.0	171.0	180.0	175.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	246/6	238/6	246/6	244/0
Dec	250/0	240/0	250/0	246/4
Mar	257/4	247/4	257/4	255/0
May	263/0	253/0	263/0	260/6
Jul	267/0	257/6	267/0	263/6
Sep	260/4	250/4	260/4	255/0
Dec	255/4	249/6	256/4	252/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	289/2	278/4	291/4	284/4
Dec	302/4	292/2	304/4	297/0
Mar	306/4	296/4	309/0	304/4
May	305/4	290/4	305/4	300/0
Jul	299/4	290/4	300/4	299/0
Sep	300/0	0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.22	73.12	73.27	72.90
Oct	74.92	74.80	75.00	74.65
Dec	75.87	75.62	75.95	75.40
Feb	75.12	74.87	75.20	74.85
Apr	75.50	75.30	75.65	75.25
Jun	73.80	73.70	73.85	73.50
Aug	72.10	72.10	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	56.55	56.37	56.82	55.95
Aug	51.92	51.87	52.40	51.60
Oct	44.32	44.80	44.90	44.20
Dec	43.87	43.80	44.37	43.70
Feb	43.87	43.86	44.35	43.60
Apr	42.27	42.15	42.65	42.15
Jun	46.60	46.50	46.95	46.60
Jul	46.70	46.35	46.70	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	45.70	47.70	47.25	45.70
Aug	43.30	45.30	45.40	43.60
Feb	48.02	47.05	48.85	46.80
Mar	47.62	46.85	48.16	46.60
May	48.05	47.60	48.30	47.90
Jul	46.50	48.50	0	0
Aug	45.50	46.50	0	0

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LONDON STOCK EXCHANGE

Equities at peak in heavy trading

By Terry Byland, UK Stock Market Editor

INCREASING optimism on the outlook for the British economy, stimulated by the improved monthly trade and retail sales data disclosed on Monday, spurred the London stock market to new peaks yesterday.

At the day's best the FT-SE Index was nearly 37 up and within six points of the 2,600 mark, which is still the year-end target of several leading UK securities houses. Trading volume increased sharply, with the Seaq total of 651.5m shares the highest since mid-April.

Institutional fund managers were quickly drawn into the stock market and, with marketmakers still very short of stock, share prices exploded upwards at mid-morning. The day's peak of 2,594.7 on the Footsie was reached at mid-session and the market then hung fire until Wall Street opened.

Account Dealing Dates		
*First Dealings:		
Jul 15	Jul 29	Aug 12
Option Declarations:		
Jul 25	Aug 8	Aug 29
Last Dealings:		
Jul 26	Aug 9	Aug 30
Account Day:		
Aug 5	Aug 19	Sep 9

*New-time dealings may take place from 8.30 am two business days earlier.

At the close, the FT-SE Index was 29.4 up at 2,587.9, having slipped off the top towards the close when Wall Street shed 10 Dow points in London hours to challenge the Dow 3,000 testing ground again.

The UK market was led forward by widespread gains in the cyclical, or recovery stocks, with the building and building materials issues standing out firmly. Also strong again were the retail stores, which attracted heavy volume as investors continued to respond to the unexpected disclosure earlier in the week that UK retail sales had risen by 1.3 per cent in June.

In contrast, the heavyweight blue chips tended to lag behind the market. ICI closed firmly as the market awaited the trading figures due this week, but Glaxo and BAT Industries were among those to run into profit-taking following good advances in the shares over the past week.

The question on every strategist's lips was, "Is this the long-awaited break-out in the UK equity market?" The market opened fairly quietly yesterday morning, in the shadow of unimpressive performances from Tokyo and New York, and it was once again left to the London futures markets to push the underlying equities ahead.

Both Barclays de Zoete Wedd and Nomura Research warned against over-enthusiasm yesterday, and both remained content with their respective forecasts that the FT-SE Index will end the year around 2,600. However, Salomon International, the US-based investment house, took a bullish view of this week's developments and raised its sights to FT-SE 2,850 by the end of this year.

Non-UK funds were active in London yesterday, on the view that both the economic and political outlook in the UK has improved significantly, according to analysts at London brokerage firms.

Activity in stock index futures played a significant role in yesterday's advance. Trading volume in futures was estimated to be around double normal levels and there was heavy arbitraging between futures and underlying stocks.

Futures arbitraging involves increased inter-marketmaker business, which is included in the daily Seaq total. Retail, or customer business in equities has been erratic in the past fortnight; although daily totals have twice exceeded £1bn during the past week, Monday's retail business totalled only £742.3m. Market analysts will await the retail data on yesterday's market with more than usual interest in their search for the footprints of the big investment institutions.

Oftel hopes lift BT

MARKET hints that BT (British Telecom) and Oftel, the telecoms industry watchdog, had resolved their differences over the dispute concerning "interconnect", or access by rivals to BT's network, triggered a strong rise in BT shares.

The market believes that Oftel will make a statement this morning outlining a new agreement on "interconnect" and other contentious points and that later this week the Treasury would release details of the sale of the government's remaining near 49 per cent holding in BT.

BT shares have been unsettled in recent sessions by Oftel's decision that if BT did not agree to its competitors being given free access to its UK network, then Oftel would press for a Monopolies and Mergers Commission (MMC) investigation into BT. Such a move would have led to a delay in the sale of the government's BT shares.

Telecoms specialists said BT and Oftel had held intensive talks over the weekend to try to head off the prospect of an MMC reference. The discussions reached a climax on Monday and BT directors were believed to have held a board meeting yesterday to rubber stamp the agreement with Oftel. Commented one analyst: "It looks like full steam ahead for the sale of the government's stake in November." BT shares were among the Footsie's best performers, closing 11 (or 3 per cent) higher at 374½p on 6.8m traded.

Reuters jumps

Reuters leapt ahead on news of interim profits above expectations, although the stock later lost some of its gain as analysts took varying views on the accompanying statement.

There was a small improvement in profits to £170.1m, whereas researchers had forecast a decline. However, Reuters warned that percentage growth in revenues this year and next would only be in single figures – the company has long been seen as a high-growth stock with earnings per share almost doubling in the last five years.

The more optimistic analysts, such as at Henderson Crosthwaite and also Daiwa, were inclined to add £5m to £10m to their current year forecasts, raising them to £335m to £340m. The more cautious, such as at UBS and Carr Kitcat, left their numbers barely changed at £325m or £330m. UBS' longer term concerns prompted it to cut next year's estimate by £30m to £350m.

Reuters was 44 stronger at one point yesterday before ending at 794p for a net gain of 25. Turnover was brisk, consisting mostly of large trades. Final volume came to 1.6m, the highest since mid-May.

NHL plummets

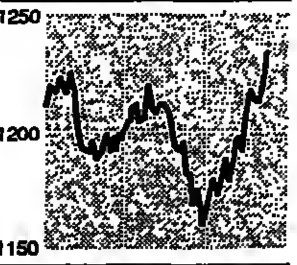
The ripple effect from the BCCI closure washed over National Home Loans, whose shares plummeted from 69p to 39p. Thin trade of only 286,000 shares emphasised the speed of the decline.

On Monday NHL fell 19, surrounded by rumours concerning BCCI. NHL said yesterday that it was arranging loans with the UK clearing banks and was confident it would be able to meet future liquidity requirements. The mortgage finance group has been badly affected, dealers said, by heavy withdrawals by local councils following the BCCI revelations.

At the start of this month NHL shares fell after job cuts and a restructuring aimed at stemming losses from its consumer finance subsidiaries. Profit forecasts were at that stage being cut by analysts.

The rest of the financial sector was shaken by the NHL news. First National Finance dropped to 91p at one stage, but closed just 5 down at 105p following a reassuring statement from the company pointing out that its reliance on the short-term deposit market "is minimal". Provident Financial retreated 13 to 439p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover

Discount houses were given a rough ride ahead of today's interims from Union Discount, which weakened 15 to 422p, its lowest level for more than five years. Union issued a profits warning on June 21.

Construction issues were strong as current account and retail sales figures rekindled hopes of another cut in interest rates. Pilkington firmed 5 to 157p on good volume of 6.8m. One analyst commented: "It may be that the economy has turned and people are looking for bombed out stocks, but I think they are being premature." Redland picked up 23 to 583p and RMC gained 20 to 660p.

Hopes for economic recovery boosted stores. Dixons rose 13 to 234p and Marks and Spencer added 9 at 284p. Asda, the supermarket group with the largest non-food retailing division, put on 3 to 97p, reflecting similar hopes for a revival in consumer confidence.

Boots was additionally helped by news of a transatlantic marketing deal for its pharmaceuticals. The shares appreciated 9 to 415p.

Booker rose 10 to 477p on news that it had linked up with European wholesalers to form CEM, a joint marketing company whose combined sales will be more than £25bn.

Ranks Hovis McDougall eased 2 to 274p on talk that a UK broker had recommended that investors take profits. Cadbury Schweppes rose 7 to 377p following renewed speculation about a bid approach from US food company Philip Morris. Tesco receded 2 to 279p on widespread talk that a large agency broker had cut current year forecasts by £15m to £555m and next year's estimate by £25m to £615m.

International stocks, especially the pharmaceuticals, were left behind as investors hunted for cyclicals likely to outperform in a recovery. Glaxo, the weakest, slipped 8 to 1275p.

Ladbroke outperformed in heavy trade as an internal note at Carr Kitcat said that the market had concentrated on the company's property side and that all the bad news was in the price. The shares climbed 14 to 267p as 6.7m changed hands.

Recent outperformers among television contractors ran into profit-taking. Central TV dropped 22 to 800p and Scottish TV fell 17 to 478p.

USM-quoted specialist journal publisher Metal Bulletin jumped 31 to 171p as acquisitive magazine proprietor Emap paid 170p for 1.2m shares, representing 13.2 per cent of the equity.

Worries that the United Nations might allow Iraqi oil exports for humanitarian reasons unsettled the crude oil market.

Oil majors were also upset by a Strauss Turnbull recommendation to switch out of BP and Shell and into British Gas. Mr John Toalster at Strauss expects "a five per cent retreat in the sector near term". He forecast "disappointing" second-quarter figures from Shell Oil on Friday, with $135m worth of provisions giving an overall loss of $35m. BP eased to 347½p on 5.6m but Shell managed a 3¼ gain at 542p on 3.8m and Gas added 4 more at 275p on 8.4m. Burmah, upset by a broker's sell recommendation, dipped 4 to 564p.

Tiphook moved ahead 13 to 493p as Mr Mark Laurence of Carr Kitcat & Aitken said the shares were underrated by the market.

Claremont Garments began trading at 170p following its demerger from Alexon and closed at 163p as some of the original shareholders took the opportunity to sell out.

Trafalgar House lost 8 to 230p as it went ex-rights. The conglomerate is raising £310m with a one-for-three share issue. The new shares, priced at 190p, will be quoted as an "A" line rather than in the ordinaries. Davy Corporation, which Trafalgar House took over at the end of June and which ceases to be quoted today, closed up a penny at 84p.

AIM Group jumped 20 to 99p, reflecting steady final year results and a positive statement from the chairman, Mr Jeff Smith. Mr Smith said there was little doubt that the foundation for sustained growth was now firmly in position.

British Aerospace declined 6 to 554p with Nomura said to have been the session's main seller. Nomura said it was negative on the stock because of "persistent concern about defence markets and uncertainty about the outlook for domestic car sales".

MARKET REPORTERS:
Daniel Green, Peter John, Jim McCallum, Joel Kibazo, Steve Thompson

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (113).
BRITISH FUNDS (2) Treas. 8pc 1991, Treas. 3pc R. 1992, AMERICANS (4) Bankers NY, Data General, Rep NY, Unilab, BANKS (1) Abbey National, BREWERS (2) Fosters, Guinness, CHEMICALS (1) Plysu, STORES (12) Amber Day, Argos, Courts, Dixons, Dunhill, Essex Furniture, Fine Arts Devs., In Shops, Kingfisher, Do. 8½pc Ln. 2000, Marks & Spencer, Smith (WH) A, ELECTRICALS (4) Domino Printing, Life Sciences, Prestwick 7¼pc Prf., Tunstall, ELECTRICITY (2) National Power, PowerGen, ENGINEERING (4) Fairey, Molins, Rotork, TI, FOODS (5) Argyll, Morrison (Wm), Do. 5¼pc Prf., Northern, Park, INDUSTRIALS (22) Assoc. Brit. Ports, BH Props., BET, Boots, Bowater, Do. 7.75pc Prf., Colorgen, De La Rue, Inchcape, Johnson Cleaners, London Intl., Medeva, Reckitt & Colman, Do. 9.5pc Cnv. Bd., Relyon, Scapa, Shanks & McEwen, SmithKline Beecham A, TT, Williams, Do. 5⅝pc Prf., Worthington (AJ). INSURANCE (3) Refuge, Sedgwick, Utd. Friendly B, LEISURE (3) Airtours, Central ITV, LWT 3.9875p Cnv. Prefd., MOTORS (1) Pendragon, NEWSPAPERS (3) Blenheim, EMAP, Metal Bulletin, PAPERS (2) Arjo Wiggins Appleton, St. Ives, PROPERTY (1) Slough Ests. 8¼p Net Prf., SHOES (1) Pittard Garnar, TEXTILES (1) Sirdar, TOBACCOS (1) Rothmans Intl B, TRANSPORT (2) NFC, Tiphook, TRUSTS (27) Alliance Inv., American Tst. B, BZW Cnv. Units 1995-02, Brit. Assets II. 2000, British Inv., British Assets, Dunedin Inc. Growth, Edinburgh Inv., Eng. & Scottish Inv., Flmg. American, Do. Cnv. 1999, Flmg. Mercantile, Foreign & Col. Inv., For. & Col Pacific, Geared Inc., Investors Capital, M & G, Malvern UK Index, Mercury Asset Mngmt., Monks Inv., Scottish Natl. Zero Div Prf., Second Alliance, Secs. Trust of Scotland, Selective Assets Uns. Ln. 2013, Do. 2013 Series II, TR Technology Stppd. Prf., Yeoman Inc., OILS (3) British Gas, Fairhaven Intl., Shell Trans., MINES (6) ACM, Deelkraal, Eastern Trans., Mount Burgess, Peominco, Simmer & Jack.

NEW LOWS (42).
AMERICANS (2) Gt. Amer. First Savings, Pac. Agricultural, BANKS (6) Cater Allen, FNFC 8.3pc Cnv. Prf., First Natl. Finance, Gerrard & Natl., King & Shaxson, London Scottish, Mitsubishi, Union Discount, BREWERS (1) Macallan-Glenlivet, BUILDINGS (1) Prowting, ELECTRICALS (3) Applied Holographics, Scantronic, Sintrom, FOODS (2) Ashley 6.25p Cnv. Prf., Ptarmigan, INDUSTRIALS (5) Barrett (H), Co. of Designers, Fitzwilton, Mosaic Invs., Walker Greenbank, LEISURE (7) Expedier, Grampian TV A, Surrey, TV-am, Thames TV, Tyne Tees, Yorkshire TV, PROPERTY (5) Britannia, London Secs. 8pc Prf., Prop. Partnerships, UK Land, Warnford Inv., TRUSTS (8) Ensign, Do. B, Gresham House, Independent Inv., Natl. Home Loans, Do. 7½pc Prf., Newmarket Venture Cap., Sumit, PLANTATIONS (1) Rowe Evans.

FINANCIAL TIMES STOCK INDICES

	July 23	July 22	July 19	July 18	July 17	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.72	84.86	84.94	85.00	84.90	79.53	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.45	94.47	94.52	94.52	93.77	88.38	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2006.1	1973.8	1959.5	1969.0	1978.6	1866.7	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	203.4	210.0	212.9	212.6	212.4	184.7	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2587.9	2558.5	2541.5	2547.3	2561.0	2360.9	2587.9 (23/7)	2054.8 (16/1)	2587.9 (23/7/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1178.52	1169.87	1164.67	1162.66	1162.25	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.74	4.80	4.83	4.81	4.79	4.97				
●Earning Yld %(full)	8.32	8.43	8.48	8.44	8.41	10.95				
●P/E Ratio(Net)(☆)	14.78	14.59	14.51	14.56	14.62	11.07				
SEAQ Bargns 4.45pm	33,349	25,615	27,435	25,828	20,782	21,391				
Equity Turnover(£m)†	-	742.29	928.52	880.93	1176.45	901.52				
Equity Bargains†	-	25,357	27,049	27,086	28,889	21,092				
Shares Traded (ml)†	-	321.9	376.1	408.1	530.5	445.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 14.18

Ordinary Share Index, Hourly changes — Day's High 2011.1 — Day's Low 1979.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1979.0	1983.4	1998.2	1999.6	2008.3	2006.8	2007.5	2005.9	2007.3

FT-SE 100, Hourly changes — Day's High 2594.7 — Day's Low 2561.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2561.3	2576.1	2581.1	2582.6	2589.0	2591.5	2592.1	2589.6	2589.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1181.49 — Day's Low 1175.22

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1176.45	1175.68	1176.77	1178.38	1179.05	1179.29	1178.24

GILT EDGED ACTIVITY

Indices*	July 22	July 19
Gilt Edged Bargains	84.5	92.6
5-Day average	88.4	89.0

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	681	546	+10
ASDA Group	4,500	97	+6
Abbey National	2,400	288	+5
Albert Fisher	105	117	
Allied-Lyons	3,300	571	+8
Amstrad	3,800	52	+2½
Anglian Water	603	577	+1
Argos	878	327	+8
Argyll Group	3,000	313	+2
Arjo Wiggins	3,300	[illegible]	[illegible]
Am. Brit. Foods	772	[illegible]	+4
[illegible]			
BP	1,600	347½	−1
British Steel	4,600	128	+2½
British Telecom	2,900	374½	+11
Bunzl	610	92	+1
Burmah Castrol	481	563	−5
Burton	5,600	38	
Cable & Wire.	3,100	578	+6
Cadbury	1,100	377	+7
Calor Group	619	222	−6
Carlton Comms.	573	478	
Coats Viyella	2,400	163	+3
Comm. Union	651	522	+2
Cookson	512	172	−2

	Volume 000's	Closing Price	Day's change
Courtaulds	1,300	432	+1
Dalgety	1,600	403	+3
De La Rue	565	431	+7
Dixons	5,000	234	+13
ECC Group	265	464	+9
Eastern Elect.	798	183½	−2
East Midland Elect.	1,600	197	
Enterprise Oil	1,400	639	−5
Eurotunnel Units	285	483	−1
FKI	63	65	−1
Ferranti	2,300	8½	
[illegible]			
ICI	1,500	1302	+16
Inchcape	677	378	+6
Kingfisher	2,300	538	+11
Ladbroke	6,700	267	+14
Land Securities	1,300	580	+16
Laporte	407	682	
Legal & General	1,800	494	+5
Lloyds Abbey	506	411	+4
Lloyds Bank	3,200	352	+1
LASMO	276	360	+2
London Elect.	670	197	−1
Lonrho	2,400	264	−1
Lucas	2,700	149	+5

	Volume 000's	Closing Price	Day's change
MB Caradon	1,300	234	+4
MEPC	1,600	499	+15
Manweb	444	382	−1
Marks & Spencer	8,600	264	+9
Maxwell Comms.	713	180½	+8½
Midland Bank	1,100	186	
Midlands Elect.	579	206	−1
NatWest Bank	4,600	322	+4
National Power	13,000	161	+2½
Next	2,900	30	+1
North West Water	3,100	378	+2
[illegible]			
Reuters	1,600	794	+16
Rolls Royce	5,100	165½	−1½
Rothmans	639	1069	−10
Ryl Bk Scotland	2,000	181	+1
Royal Insurance	577	404	+1
Saatchi	980	18	
Sainsbury	1,800	388	−2
Scottish & New.	1,500	419	+5
Scot. Hydro-Elect.	2,700	111	−½
Scottish Power	7,000	104	+½
Sears	8,600	82	+4
Sedgwick	1,000	284	+3
Seeboard	491	200	

	Volume 000's	Closing Price	Day's change
Severn Trent Water	2,200	349	+4
Shell Transport	3,800	542	+3½
Siebe	310	477	+14
Slough Ests	1,000	250	+4
Smith (W.H.) A	784	440	+17
Smith & Nephew	5,800	134	+1½
SmithK Beecham	2,800	836	−1
SmithK Beecham Us.	157	[illegible]	−10
Smiths Inds.	1,000	383	+6
Southern Elect.	2,200	197	+½
South Wales Elect.	18	283	
[illegible]			
United Biscuits	605	384	+8
Utd. Newspapers	662	389	+10
Wellcome	584	729	+8
Wessex Water	795	388	+4
Whitbread 'A'	2,900	479	+18
Williams Hldgs.	1,800	329	+18
Willis Corroon	1,600	307	
Wimpey	62	176	+5
Yorkshire Elect.	780	241	
Yorkshire Water	429	389	+7

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

EQUITY futures led the stock market to its all-time high yesterday in one of the busiest sessions of the year in London derivatives, writes Jim McCallum.

Casting aside the lacklustre performances of most overseas markets, London pushed ahead as shortage of shares forced marketmakers into the futures market to cover trading positions.

The September FT-SE 100 index traded at a premium to spot of 40 points, against 35 in the previous session and fair value of 26. This encouraged arbitrageurs to profit from the discrepancy between the two markets by selling futures and buying shares.

Brokers estimated that up to half of the day's turnover was related to arbitrage activity. But despite selling from arbitrageurs, the futures market maintained its strength as independent traders who had taken short positions in the belief that the rally would soon run out of steam were forced to cover themselves.

The September FT-SE closed at 2,625, up 33 points on the day and at a premium of 37.

In traded options there was a simultaneous buyer and seller of 500 GEC August 200 puts. A seller of Ladbroke October 260 calls also lifted turnover.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
[illegible]						

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
108¼	102	Treas. 11½pc 2001-04	106⅛	−⅛	10.83	10.43
58¾	53⅛	Funding 3½pc '99-04	58¼	−⅛	6.01	9.03
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						
Index-Linked						
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	95⅞	African Dv Bk 11¼ Ln 2010	101⅛		11.00	10.93
97⅞	91⅞	Asian Dev Bk 10⅝pc Ln 2009	96½	+⅛	10.62	10.68
[illegible]						

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or −	Div. %	Red. Yield
[illegible]						

Continued on next page

APPOINTMENTS

Chief of commercial insurance at the AA

THE AUTOMOBILE ASSOCIATION'S subsidiary, AA Commercial Insurance Brokers, has appointed Mr Rod Carbery as chief executive. He was chairman and managing director of the UK retail operation of Citicorp Insurance Brokers. Previously he was commercial director of Hogg Robinson.

■ Mr Christopher J. Campbell, chairman, British Shipbuilders, has been appointed a non-executive director of HARRODS BANK.

■ SOCIETE GENERALE TOUCHE REMNANT UNIT TRUST MANAGEMENT has appointed Mr Charles W. Nixon as marketing director from August 5. He was financial services marketing manager at Extel Financial.

■ Mr Geoffrey Almeida has been appointed a director of BT PROPERTY, with responsibility for finance and systems. He joined British Telecommunications from Grand Metropolitan Estates where he was a property development consultant.

■ PFG HODGSON KENYON INTERNATIONAL, funeral services group, has appointed Mr Peter Hindley as chief executive. He was managing director of Young's Formal Wear, and takes over from Mr Bruno Grison, acting chief executive, who remains on the board.

■ E.W. PAYNE COMPANIES has appointed Ms Louise Rook as an associate director, financial reinsurance division. She was a financial reinsurance broker with C.E. Heath.

■ Mr Robin Fox, a vice chairman of Kleinwort Benson Group, has been appointed chairman-designate of the EXPORT GUARANTEES ADVISORY COUNCIL, succeeding Sir Peter Leslie whose term of office expires in July 1992.

■ Mr Stuart Bell has been appointed managing director of Personal Pension Management, a subsidiary of GUINNESS MAHON ASSET MANAGEMENT. He joins from the Wyatt Company.

■ Mr Shaw Edwards, head of ERNST & YOUNG's national healthcare consultancy group, has been appointed a partner - the first CIPFA member to do so.

■ FOLGATE INSURANCE CO, Poole, a subsidiary of Wuerttemberische Versicherung, Stuttgart, has appointed Mr Christopher Garland as deputy general manager and director, to succeed Mr A. Newell as general manager on his retirement. Mr Garland retains his post as managing director and City underwriter for the London underwriting operation.

■ Mr Bob Evans has joined the national tax investigation unit of ROBSON RHODES. He was with the Inland Revenue enquiry branch.

■ Lord Bellwin has been appointed a non-executive director of WELPAC from August 1. He is a non-executive director of Taylor Woodrow, and other companies.

■ Lord Bradford has been appointed chairman of BEACON BROADCASTING AND COMMUNICATIONS, Wolverhampton. He was deputy chairman, and takes over from Mr Alan Henn who is retiring.

■ Mr Andrew Morgan-Giles has been appointed managing director of CELCON BLOCKS. He joins from Woodstock where he was managing director, and takes over from joint managing directors Mr Roger Thomas and Mr Roger Thomason. Mr Thomas continues as managing director of Kingsway Group UK building materials division. Mr Thomason becomes sales and marketing director of Celcon Blocks. Mr Mike Flynn has been promoted from general production manager to production director.

Exco chairman

■ EXCO INTERNATIONAL has appointed Mr Carel Mosselmans (pictured) as chairman. He was chairman of Sedgwick Group, and is chairman of Rothschild Asset Management, and a non-executive director of Coutts & Co. Mr Richard Lacy will step down as chairman, but remains chief executive.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
53¼	20⅞	Abbott Laboratories‡	31	+⅛	[illegible]	–	1.9
385p	257p	♦Allegheny & W 1c	299p	+17	[illegible]	–	5.9
10⅛	667p	Amdahl 5c	882p	–1	[illegible]	–	0.7
42⅞	25⅛	Amer. Cyanamid $5	39¼	+⅛	[illegible]	–	2.3
17⅞	9⅞	Amer. Express 60c	13⅛	–⅛	[illegible]	–	4.0
24½	13¼	American T. & T. $1	23⅛	.....	[illegible]	–	3.3
38⅞	32½	Ameritech $1	35⅞	+⅛	[illegible]	–	5.7
24	12⅞	BankAmerica $1⅞	21	–⅛	[illegible]	–	3.4
34⅞	20⅞	Bankers N.Y. $1	34⅞	+2⅞	[illegible]	–	8.4
30½	24¼	Bell Atlantic $1	29	+⅛	[illegible]	–	5.1
31¼	25	BellSouth Corp	28	+½	$2.76	–	5.0
11¼	6⅞	♦Bethlehem Steel $8	10⅛	.....	40c	–	2.3
1839p	1046p	Bowater Inc	1555p	–11	$1.20	–	4.6
9½	4½	Brunswick 75c	11⅞	–⅛	44c	–	2.9
54	37⅞	CPC Intnl. 25c	50⅞	.....	$2.00	–	2.3
852p	420p	California Engy	822p	+70	–	–	–
50	28¼	Campbell Soup 15c	45½	–¼	$1.16	–	1.5
12⅛	3⅞	Chase Manhattan $12½	11⅞	–⅛	$1.20	–	6.0
9⅞	5½	Chrysler $6¼	8⅛	.....	60c	–	4.2
10⅛	5⅞	Citicorp $1	8⅞	–⅛	$1.00	–	6.7
25	21⅞	Colgate-Palmolive $1	23⅛	–⅛	$1.06	–	2.7
845p	430p	Cont'l Bank Corp $4	777p	+5	$1.00	–	7.6
21⅞	13⅞	Dana Corp. $1	19⅞	+⅛	$1.60	–	4.8
1106p	203p	Data General	1106p	+30	–	–	–
22	12⅞	Dial Crop. $1.5	21⅛	–⅛	[illegible]	–	3.9
29⅞	20⅞	Dun & Bradstreet $1	26⅞	+⅛	[illegible]	–	4.8
40	24¼	Eaton Corpn. 50c	39¼	+1⅞	[illegible]	–	–
8⅞	5⅛	Echlin Inc	6⅞	+⅛	[illegible]	–	4.9
19⅞	14⅞	FPL Group 1c	18⅛	+⅛	[illegible]	–	7.7
30⅞	17⅞	Fluor Corp 62½pc	27⅞	–⅛	[illegible]	–	0.7
23⅞	13⅛	Ford Motor $1	20⅞	–⅛	[illegible]	–	2.9
46⅞	28⅞	Gen. Elect. 63c	43⅞	.....	[illegible]	–	2.7
566p	270p	♦General Host Corp $1	471p	–4	[illegible]	–	4.3
45⅞	20⅞	Gillette $1	22⅞	+⅛	[illegible]	–	1.6
91p	22½p	Gt American Bank $1	22½p	–3½	[illegible]	–	–
18⅛	794p	Hasbro Inc 50c	17⅞	.....	[illegible]	–	0.8
38½	21⅞	Honeywell $1½	35⅞	+⅛	[illegible]	–	2.5
22⅞	17⅞	Houston Inds.‡	22⅞	+⅛	[illegible]	–	7.9
72⅞	55⅞	IBM Corpn $1¼	61	+1⅛	[illegible]	–	4.7
32⅛	18⅞	Ingersoll-Rand $2	30⅞	–⅛	[illegible]	–	2.5
28⅛	16⅛	Lockheed Crpn. $1	28⅛	.....	[illegible]	–	3.8
2155p	1245p	Lowe's 50c	2099p	+74	[illegible]	–	1.6
17⅞	9½	Manuf. Hanover $1	17⅞	–⅛	[illegible]	–	11.4
26⅞	10⅞	Merrill Lynch $1	24⅞	–⅛	$1.[illegible]	–	2.4
33⅞	21⅞	Morgan (JP) $2½	31⅞	+⅛	$1.[illegible]	–	5.7
41⅛	25⅞	Morris (Philip)	39⅞	–⅛	$1.[illegible]	–	2.6
46⅞	39	NYNEX $1	43⅛	+⅛	[illegible]	–	6.2
89p	30p	♦Pac. Agricultural	38p	–1	–	–	–
23⅛	11⅞	Pall Corp. 25c	22	+⅛	[illegible]	–	1.2
46⅛	33¼	Pennzoil $3 1/3c	44⅞	–⅛	[illegible]	–	4.0
40½	24⅞	Quaker Oats $5	37⅞	–⅛	[illegible]	–	2.4
39⅛	24⅞	Rep NY Corpn $5	39⅛	+⅛	[illegible]	–	2.1
17⅛	12¼	Rockwell Intl. $1	16⅛	–⅛	[illegible]	–	3.3
25⅞	12⅞	Sears, Roebuck 75c	23	+⅛	[illegible]	–	3.1
34⅛	25⅛	Southwestern Bell $1	32⅞	–⅛	[illegible]	–	5.3
20⅛	14⅞	Sun Co. Inc. $1	18⅞	+⅛	[illegible]	–	5.8
27⅛	21⅛	Tenneco $5	22⅞	+⅛	[illegible]	–	7.9
40½	29⅞	Texaco $6.25	39¼	+⅛	[illegible]	–	4.8
26½	17⅛	Texas Instr. $1	19⅞	–⅛	[illegible]	–	2.2
*64½	37⅞	Time Warner $1	51⅛	–⅛	[illegible]	–	1.1
16⅛	8⅞	TRINOVA Corp	15⅛	–⅛	[illegible]	–	2.7
498p	250p	♦Unilab	498p	+23	–	–	–
29⅛	22⅛	Utd. Technologies	28⅞	+⅛	$1.[illegible]	–	5.7
92p	42p	♦UUItech Inc	92p	.....	–	–	–
23	18¼	US West‡	20⅞	+⅛	$2.08	–	5.9
24⅞	16⅛	Waste Management $1	21⅞	+⅞	44c	–	1.2
2054p	1053p	Whirlpool $1	1936p	+65	$1.10	–	3.4
20⅞	13½	♦Woolworth $3½	18	–⅛	$1.08	–	3.5

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

For School see INDUSTRIALS (Miscel)

ELECTRICALS

ELECTRICITY

For Scot. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤¤ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◊ Merger bid or reorganisation in progress
- ◊ Not comparable
- ◊ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	640	......
Finlay Pkg. 5p	20	......
Holt (Jos) 25p	1970	......
Helton Oldgs.	32	–1
IRG	128½	......
United Drug	172	......

IRISH

Cap. 8½% Ln. 2010	£92	......
9pc Cap Ln. 1996	£97½	......
Fin. 13% 97/02	£113¼	......
Arnotts	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	51
BTR	35
Barclays	33
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met.	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	88
Ladbroke	22
Legal & Gen.	56
Lex Service	20
Lloyds Bank	30
Lucas Inds.	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl.	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	52
Thorn EMI	64
Trust Houses	20
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aran Petm.	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petm.	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	51
RTZ	40

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,350 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on *FT Cityline*. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.87	48.87	52.26	+0.30	6.64
Gilts & Fixed Inc	6	112.8	112.8xd	119.6	+0.4	9.62
High Inc Equity	6	132.6	136.3xd	144.9	-0.1	5.87
Worldwide Bond	6	203.5	203.5	217.5	-0.9	6.90
Capital Growth						
American Growth	6	200.8	200.0	214.9	-0.5	1.02
Asian Pacific	6	135.9	136.7	145.4	+1.1	1.08
Assets & Earnings	6	176.4	180.5	192.0	+2.0	3.01
Capital Reserve Acc	0	105.7	105.7	105.7	+0.1	7.18
Capital Reserve Inc	0	83.56	81.55	83.60	+0.10	7.18
Comdty & Energy	6	80.84	80.04	86.95	-0.27	1.72
1992 Enterprise	6	63.23	63.23	67.62	+0.51	2.85
Euro Capital Acc	6	87.75	87.75	93.85	+0.03	1.44
Euro Capital Inc	6	83.84	83.84	89.66	+0.00	1.45
General	6	171.9	171.9	183.8	+2.6	2.72
Japan	6	95.72	95.72	102.3	-0.3	-
Mastertrust	6	89.60	89.65	95.88	+0.36	2.13
UK Growth Acc	6	154.5	154.5	165.2	+0.4	2.74
UK Growth Dist	6	99.25	99.25	106.1	+0.3	2.76
US Emerging Cos	6	67.11	67.11	71.77	-0.61	-
Income & Growth	6	301.3	301.3	322.2	+3.9	4.35
Ethical	6	49.49	49.49xd	52.93	+0.35	3.19
International	6	62.43	62.43	66.77	+0.13	1.32
Dividend & Growth	6	45.55	49.53xd	52.60	+0.78	5.49
Global Gwth & Sec	6	51.38	51.59	54.68	-0.02	1.82

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

UK Small Cos	0	951.0	951.0	1011.0	..	-

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5¼	31.10	31.10	32.98	+0.02	2.41

[illegible]

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DS 0244 680066

M & S Inc P'folio	5¼	112.0	112.0xd	119.7	+1.2	3.36
Do Accum	5¼	119.9	119.9xd	128.2	+1.3	3.36
UK Sel P'folio	5¼	97.52	97.52xd	104.2	+1.8	4.24
Do Accum	5¼	103.8	103.8xd	111.0	+2.0	4.24

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

Managed Tst	5	49.70	49.77	53.17	.....	5.00

Martin Currie Unit Trusts Ltd (0905)H

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Acumen	5	70.27	70.64	75.39	+0.92	5.16
Acumen Reserve	3	64.54	64.54	66.46	+0.15	11.37
American Income	5	134.07	134.10	142.00	+0.30	3.11
Equity Income	5	84.24	84.24xd	89.91	+1.07	6.08
European	5	54.09	54.09	57.73	+0.34	1.54
Far Eastern	5	113.97	114.00xd	121.70	+1.30	1.71
Smaller Cos	5	42.72	42.72	45.60	-0.52	3.49
Olympiad	5¼	47.09	47.09	50.21	+0.07	1.51
Olympiad Income	5¼	44.19	44.19	47.17	+0.53	5.92
UK Growth	5	72.02	72.61	77.50	+0.70	2.18

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Avon Equity	6	95.33	94.92xd	100.98	+1.24	3.57

NM Unit Trust Mngrs (1200)H

Rothschild Fund Management—Contd.

RAM PSAVC Scheme						
UK Major Co's	5¼	72.04	73.17	77.01	+1.30	
UK Smaller Co's	5¼	45.62	47.10	49.57	+0.12	
UK Income	5¼	65.43	66.59	70.09	+0.74	
America	5¼	66.02	69.00	72.62	-0.19	
Japanese	5¼	42.67	43.17	45.44	-0.01	
European	5¼	62.40	62.91	66.21	-0.06	
Canadian	5¼	50.95	52.57	55.33	+0.26	
Australasian	5¼	36.22	36.73	38.66	+0.58	
Gilt	5¼	65.29	63.56	66.68	+0.06	
Deposit	5¼	66.69	66.69	70.20	+0.02	
Managed	5¼	70.36	71.40	75.15	+0.74	

Royal Life Fd Mgmt Ltd (1000)F
PO Box 34, Peterborough PE2 0UE Prices 071-410 0410
General Enq: 0733 239000 Dealing: 0733 230000

United States	5	39.53	39.53	42.11	.....	0.79
Pacific Basin	5	53.02	53.02	56.41	.....	0.00
	5	231.6	234.0xd	251.1	.....	3.52

[illegible]

NW Investment Managers Ltd (0659)F
4a Court St, Haddington, E. Lothian 062 082 5867

NW Joint Investors	0	1048.0	1048.0	1078.1	.....	4.39

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 071 226 6066

Maldon General	0	114.0	114.0xd	117.2	.....	4.96

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealing: 071-254 5858

Growth Units	5¼	139.2	139.3	145.6	+1.9	3.79
Gilt & Fxd Int	5	145.1	145.1	152.6	+0.4	8.29
Intl Growth	5¼	149.2	150.6	160.2	+0.5	0.43
North American	5¼	98.29	98.29xd	104.6	+0.3	0.54
Far East	5¼	119.9	120.9xd	128.6	+1.2	0.45
UK Smaller Cos	5¼	101.1	101.1	107.3	+0.5	3.43
European	5¼	53.52	53.52xd	57.10	+0.31	1.00
Japanese Growth	5¼	36.46	36.46	39.05	+0.08	1.60
Managed P'folio	5¼	50.03	50.43	53.65	+0.14	1.54
High Income	5¼	151.0	152.7	162.4	+1.7	6.04
High Yielding Gilt	5¼	60.66	60.66xd	63.91	+0.61	9.81
Cash		51.32	51.32	51.32	+0.02	9.73

* Compound Annual Rate

Morgan Grenfell Unit Tst Mgrs Ltd (1600)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

American Gwth	5¼	157.5	157.5xd	168.1	.....	0.91
European Gwth	5¼	195.5	195.5xd	208.3	-0.1	0.00
Intl Gwth	5¼	146.8	146.8	156.2	+0.3	0.00
UK Equity Inc	5¼	117.3	117.3	126.0	+1.1	6.43
UK Equity Acc	5¼	132.1	132.1	141.9	+1.2	6.43
UK Ind Tracker Inc	5	124.0	124.0	132.5	+1.4	3.75
UK Ind Tracker Acc	5	132.5	132.5	141.9	+1.5	3.75
US Eq Ind Tracker Inc	5	145.6	145.6	156.1	-0.1	2.88
US Eq Ind Tracker Acc	5	150.3	150.3	161.1	-0.2	2.88
Japan Tracker	5	60.91	60.91	64.60	+0.52	0.00
Asian Tracker	5¼	88.75	88.75	94.07	+1.0	1.41
Managed Inc	5¼	99.19	99.19xd	106.7	+0.6	1.98
Managed Acc	5¼	100.8	100.8xd	108.9	+0.6	1.96
Cash Inc	0	100.34	100.34xd	100.34	+0.01	10.76
Cash Acc	0	109.47	109.47xd	109.47	+0.02	10.76
Europa	5¼	103.5	103.5	110.7	-0.5	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
5 Bedford Park, Croydon CR0 2AQ 081-686 9818

Exempt Unit Tst	4	118.10	118.10xd	123.6	+1.38	2.60
Exempt Smlr Cos	5¼	219.80	219.80	239.05	-0.48	1.40

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

[illegible]

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Stewart Ivory Unit Tst Mngrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ▼	5	306.0	306.0	326.5	+1.1	2.31
(Accum Units) ▼	5	354.0	356.8	382.0	+1.3	1.31
British	5	795.1	795.1	841.2	+1.4	5.90
(Accum Units)	5	1272.9	1272.9	1346.7	+2.2	5.00
European	5	319.9	319.9	340.6	-1.2	1.54
(Accum Units)	5	342.9	342.9	365.1	-1.2	1.54
Japan	5	118.6	118.6	125.9	+0.3	–
(Accum Units)	5	119.5	119.5	126.9	+0.3	–
New Pacific	5	175.6	175.6	186.6	+1.5	1.94
(Accum Units)	5	179.8	179.8	191.8	+1.5	1.94
PEP July 19	5	132.2	134.6	142.4	..	2.90
Mngd Equity	5	121.1	122.9xd	130.1	+0.9	3.38
Mngd Equity Acc	5	128.7	130.6	138.2	+0.9	3.38
Smaller Cos	5	95.84	95.84xd	100.5	——	10.87
(Accum Units)	5	113.5	113.5	119.3	..	10.87
Intl Fixed Int July 17	5	122.0	122.0	129.3	....	6.80
Majority Stkg	[illegible]	[illegible]	99.84xd	100.83	+0.02	10.55
Majority Stkg Acc	[illegible]	[illegible]	104.7	105.77	+0.03	10.55

Stockbrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

International July 15	6	51.19	51.19	51.68	....	3.45

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

Equity	6	602.4	602.4	644.3	+1.7	3.31
North America	4	79.12	79.87	85.42	+0.15	1.09
Far East	6	94.88	95.93	102.6	+1.0	0.77
W'wide Bond	6	46.93	46.93	49.93	+0.13	6.07
European	6	66.51	66.95	71.60	+0.14	1.65
Equity Income	6	70.34	71.20xd	76.15	-1.09	5.11
Portfolio	6	58.40	58.91	63.01	+0.49	2.62

Sun Life of Canada Unit Mngrs Ltd (1000)H
Basingstoke, Basingstoke, Hants 0800 525725

American Growth	6	26.50	26.50	28.35	(u)	0.45
Managed Assets	6	101.90	102.20xd	109.31	(u)	4.13
UK Income	6	32.60	33.16	35.47	(u)	4.72
UK Growth	6	32.56	33.01	35.31	(u)	2.27
Worldwide Growth	6	24.36	24.36	26.04	(u)	0.79

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American July 24	161.6	166.1	-0.6	1.51
Managed July 24	146.6	152.0	+1.4	3.78
Japan July 18	118.8	122.1xd	-1.9	0.00
Sm Jap Cos July 19	579.7	595.6	-3.3	0.00

Fidelity Investment Services Ltd

Mngd Pens P'folio	130.9	135.2	+1.10	3.57

Robert Fleming Asset Mngmt Ltd

Am Exempt	£481.78	488.90	-9.04	1.61
Gen Exempt	£131.14	134.16	+0.64	3.87
Jap Exempt	£470.00	479.43	-2.14	0.80
Pacific Exempt	£102.64	104.85	+0.79	3.13
Contl Euro Exempt	£96.18	98.07	+0.07	2.37
S'dard Exempt July 18	£127.825	132.00	....	4.77
Amer Intnl Expt July 18	£107.18	108.25	....	3.15
Japan Intnl Expt July 18	£65.09	66.36	—	0.62
Euro Intnl Expt July 18	£94.65	96.54	....	2.85
O'seas Intnl Expt July 18	£99.86	102.06	....	2.40

Funds in Court*

Capital July 17	493.46	497.09	——	2.47
Gross July 17	177.49	178.92xd	——	10.90
High Yield July 17	291.89	294.24	....	7.00

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	53.61	54.68	+0.47	4.12

INVESCO MIM Management Ltd
Exempt Funds

Intl Mngd P'Folio	1211.0	1307.0xd	.....	–
Mngd Pens (Acc)	66.3	72.8	....	–

Lazard Brothers & Co. Ltd

Property Jan 5	£2360.0	2675.0	——	6.00
Inc Gth Prp Acc 16	£1325.0	1460.0	——	7.20

Lazard Investors Ltd ‡‡
Exempt Funds

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107.6	113.3	+0.9	-
Pension Managed Fd	106.0	111.6	+0.9	-
Life Deposit Fd	108.2	113.9	.....	-
Pension Deposit Fd	113.8	119.8	+0.1	-

National Financial Management Corp PLC

71 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	109.8	115.6	+0.3	-
Managed Growth	136.6	143.8	+0.4	-
Managed Opportunity	137.6	144.9	-0.1	-
NFMC Target Financial	103.2	108.7	+0.7	-
Pension Funds				
Managed Cautionary	120.3	126.7	+0.3	-
Managed Growth	144.7	152.4	+0.6	-
Managed Opportunity	137.9	145.2	-0.1	-
NFMC Target Mngd Pen	1540.3	1621.4	+13.5	-

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	163.7	172.4	.....	-
UK Equity	171.8	180.9	.....	-
Overseas Equity	138.9	146.3	.....	-
Fixed Interest	146.6	154.4	.....	-
Property	127.8	134.6	.....	-
Index Linked	146.5	154.3	.....	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slides against D-Mark

THE DOLLAR retreated in late European trading, to finish below DM1.7600, after touching a peak of DM1.7725.

The slide followed comments from Mr Michael Boskin, White House chief economic adviser, who said the US economy appears to be in recovery but that some regions, as well as some business sectors, still lag behind.

He noted that the car industry, property and construction sectors, have been particularly hard hit by the recession, and that "the serious problem of the availability of credit in the US is probably the biggest single threat to a sustained recovery."

Nevertheless Mr Boskin told a congressional joint economic committee that the administration expects tha economy to expand in the second half of 1991 and to grow through the naxt year and beyond. He added that "the nation must choose between sound policies that will promote long-term growth and policies that will reduce economic flexibility. stunt incentives and place its economic future at risk."

Dealers said that Mr Boskin's reference to a credit crunch was the main factor depressing the dollar. At the London close it was generally weaker on the day, falling to DM1.7560 from DM1.7585; to Y136.95 from Y137.40; and to FFr5.9625 from FFr5.9700, but rising to SFr1.5260 from SFr1.5215. On Bank of England figures the dollar's index was unchanged at 66.9.

Sterling improved against the dollar and remained the third strongest currency in the European exchange rate mechanism. Encouraging UK economic news, including Monday's current account and overseas trade figures for June, were offset by speculation about British interest rate cuts later this year.

The pound gained 35 points to $1.6845. It also rose to DM2.9575 from DM2.9550; to FFr10.0450 from FFr10.0350; and to SFr2.5700 from SFr2.5575, but eased to Y230.75 from Y231.00. Sterling's index closed unchanged at 91.1.

The French franc showed little reaction to disappointing French trade figures in June, or to coments by Mr Pierre Beregovoy, French finance minister, about possible cuts in interest rates. It stayed the second weakest ERM currency, slightly abova tbe Danish krone.

France had a seasonally adjnsted trade deficit of FFr3.81bn in June, compared with a revised May shortfall of FFr1.95bn. There had been speculation that the trade balance might be in surplus for the first time since early 1990.

Figures on German consumer prices for July are expected today or tomorrow. These are forecast to show a sharp rise in year-on-year inflation to at least 4.0 per cent from 3.5 per cent in June. Rising inflation will increase speculation that next month's Bundesbank council meeting will result in higher official interest rates however and is already reflected in the D-Mark's valne, according to dealers.

£ IN NEW YORK

July 23	Latest	Previous Close
£ Spot	1.6845-1.6855	1.6787-1.6794
1 month	0.78-0.76pm	0.81-0.79pm
3 months	2.05-2.02pm	2.06-2.02pm
12 months	6.17-6.07pm	6.05-5.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

	£	$
Korea(Sth)	1216.15 - 1235.75	727.70 - 733.50
Kuwait	0.48280 - 0.48310	0.29290 - 0.29300
Luxembourg	60.90 - 61.00	36.15 - 36.25
Malaysia	4.6770 - 4.6850	2.7860 - 2.7880
Mexico	5047.10 - 5051.80	3015.00 - 3016.00
N.Zealand	2.9700 - 2.9730	1.7700 - 1.7720
Saudi Ar	6.2175 - 6.2940	3.7500 - 3.7510
Singapore	2.9375 - 2.9445	1.7495 - 1.7505
S.Af (Cm)	4.8200 - 4.8315	2.8710 - 2.8725
S.Af (Fn)	5.3435 - 5.4300	3.1845 - 3.2360
Taiwan	45.15 - 45.25	26.90 - 26.95
U.A.E.	6.0875 - 6.1640	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.167	-4.09	5.59	69
Italian Lira	1538.24	1531.16	-0.46	1.74	29
Sterling	0.696904	0.695359	-0.22	1.49	6
Belgian Franc	42.4032	42.3130	-0.21	1.48	18
D-Mark	2.05586	2.05574	-0.01	1.27	11
Dutch Guilder	2.31643	2.31634	0.00	1.27	6
Irish Punt	0.767417	0.768533	0.15	1.12	-2
French Franc	6.89509	6.97810	1.20	0.06	-61
Danish Krone	7.84195	7.94140	1.27	0.00	-58

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6795 - 1.6860	1.6840 - 1.6850	0.77-0.75cpm	5.41	2.06-2.03pm	4.86

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Jul 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11¼ - 11	11¼ - 11	11⅛ - 11	11⅛ - 11	10⅞ - 10¾	10⅞ - 10¾
US Dollar	5¾ - 5⅝	6 - 5¾	6 - 5⅞	6⅛ - 6	6⅜ - 6¼	6⅞ - 6¾
Can. Dollar	8¾ - 8⅝	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	9 - 8⅞	9⅛ - 8⅞
Dutch Guilder	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	9⅛ - 9	9⅛ - 9⅛	9⅛ - 9⅛
Swiss Franc	7⅞ - 7¾	7⅞ - 7¾	7⅞ - 7¾	8 - 7⅞	8 - 7⅞	7⅞ - 7¾
D-Mark	8¾ - 8⅝	8¾ - 8⅝	8⅞ - 8¾	9⅛ - 9	9¼ - 9⅛	9½ - 9⅜
French Franc	9⅛ - 9⅛	9⅛ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Italian Lira	12 - 10	11½ - 10½	11¾ - 10¾	11½ - 11	11¾ - 11¼	12⅛ - 11⅞
Belgian Franc	8¾ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅞	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼
Yen	7⅞ - 7¾	7⅞ - 7¾	7⅞ - 7¾	7⅞ - 7¾	7⅞ - 7⅝	7⅝ - 7½
Danish Krone	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Asian $Sing	6 - 5¾	6 - 5¾	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛

Long term Eurodollars: two years 7½-7⅜ per cent; three years 8-7⅞ per cent; four years 8¼-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.684	2.957	230.7	10.04	2.570	3.332	2203	1.945	60.95	1.437
$	0.594	1	1.756	137.0	5.962	1.526	1.979	1308	1.155	36.19	0.853
DM	0.338	0.569	1	78.02	3.395	0.869	1.127	745.0	0.658	20.61	0.486
YEN	4.335	7.300	12.82	1000.	43.52	11.14	14.44	9549	8.431	264.2	6.229
F Fr.	0.996	1.677	2.945	229.8	10.	2.560	3.319	2194	1.937	60.71	1.431
S Fr.	0.389	0.655	1.151	89.77	3.907	1	1.296	857.2	0.757	23.72	0.559
H Fl.	0.300	0.505	0.887	69.24	3.013	0.771	1	661.2	0.584	18.29	0.431
Lira	0.454	0.764	1.342	104.7	4.557	1.167	1.512	1000.	0.883	27.67	0.652
C$	0.514	0.866	1.520	118.6	5.162	1.321	1.713	1133	1	31.34	0.739
B Fr.	1.641	2.763	4.852	378.5	16.47	4.217	5.467	3614	3.191	100.	2.358
ECU	0.696	1.172	2.058	160.5	6.987	1.788	2.319	1533	1.354	42.41	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
103	-	-	-	0.10	0.53	0.92
104	1.07	-	-	0.30	-	-
105	0.50	-	1.88	0.71	-	1.75
106	0.16	0.66	0.90	-	-	2.30
107	0.07	0.38	-	2.27	-	-
108	0.02	-	-	-	-	-
Open Int	153,067	37,212	8,495	109,251	24,840	14,850

Estimated volume 13,795 Total Open Interest 347,705

POUND - DOLLAR

BASE LENDING RATES

	%		%		%
ABN Bank	11	Co-operative Bank	11	McDonnell Douglas Bnk.	11
Adam & Company	11	Coutts & Co	11	Midland Bank	11
Allied Trust Bank	11	Cyprus Popular Bk	11	Mount Banking	11
AIB Bank	11	Dunbar Bank PLC	11	NatWestminster	11
● Henry Ansbacher	11	Duncan Lawrie	11	Northern Bank Ltd	11
B & C Merchant Bank	11	Equatorial Bank plc	11	Nykredit Mortgage Bank	12
Bank of Baroda	11	Exeter Bank Limited	11½	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	12.5
Bank of Cyprus	11	First National Bank Plc.	14	Royal Bk of Scotland	11
Bank of Ireland	11	● Robert Fleming & Co.	11	● Smith & Williamson Secs.	11
Bank of India	11	Robert Fraser & Ptrs.	11½	Standard Chartered	11
Bank of Scotland	11	Girobank	11	TSB	11
Banque Belge Ltd	11	● Guinness Mahon	11	Unibank plc	11
Barclays Bank	11	● Hambros Bank	11	● United Bk of Kuwait	11
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	11
Brit Bk of Mid East	11	Heritable & Gen Inv Bnk.	11	Western Trust	11
● Brown Shipley	11	● Hill Samuel	11	Westpac Bank Corp.	11
CL Bank Nederland	11	C. Hoare & Co.	11	Whiteaway Laidlaw	11
Citibank NA	11	Hongkong & Shanghai	11	Yorkshire Bank	11
City Merchants Bank	11	● Leopold Joseph & Sons	11		
Clydesdale Bank	11	Lloyds Bank	11		
Comm. Bk of London Plc	11	Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates hold steady

INTEREST RATES held steady in London yesterday, unmoved by recent economic data. Three-month sterling interbank was unchanged at 11⅛-11 per cent and 12-month money was steady at 10⅞-10¾ per cent.

Short sterling futures held in a narrow range on Liffe, in quiet trading. September delivery opened unchanged at 89.35 and moved between 89.31 to 89.35 before closing at 89.32.

The Bank of England did not appear to fully absorb a fairly large sbortage of day-to-day credit on tba cash market, leaving overnight money tight at around 13 per cent.

The shortage was initially forecast at £850m, but this was revised to £800m at noon and back to £850m in the afternoon. Help of £534m was provided.

In early operations the authorities bought £150m bills outright, by way of £75m Treasury bills in band 1 at 10⅞ per cent and £75m bank bills in band 1 at 10⅞ per cent. Before lunch another £2m bank bills were purchased in band 1 at 10⅞ per cent. In the afternoon £62m bills ware bought, via £36m bank bills in band 1 at 10⅞ per cent and £26m bank bills in band 2 at 10⅞ per cent.

Late assistance of around £320m was also provided.

Bills maturing in official bands, repayment of late assistance and a take-np of Treasury bills drained £170m, with Exchaquer transactions absorbing £720m. These outweighed a fall in the note circulation adding £50m to liquidity.

In Dublin the Irish Central Bank cut its short term facility rate to 10¼ from 10½ per cent. The rate, at which the central bank lends to commercial banks, was last reduced by ¼ point on July 15.

In Madrid the Bank of Spain left its money market intervention rate at 12¼ per cent at its thrice-monthly tender of certificates. On Monday Bankinter, a medium sized Spanish bank, raised its prime rate by ¼ point to 11¼ per cent.

In Frankfurt call money call money was unchanged at 8.85 per cent, holding steady after the Bundesbank said that banks' provisional reserve requirement for July had risen to DM71.6bn, from DM70.5bn in June. Banks' average holdings for the first 21-day's of the month were DM74.5bn.

At a tender for securities repurchase agreements the Bundesbank offered 28-day money at variable bid rates. This is required to offset DM11.5bn draining from the banking system today as an earlier facility expires.

UK clearing bank base lending rate
11 per cent
from July 12, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. July 23) 3 months US dollars		6 months US Dollars	
bid 6	offer 6⅛	bid 6⅛	offer 6¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

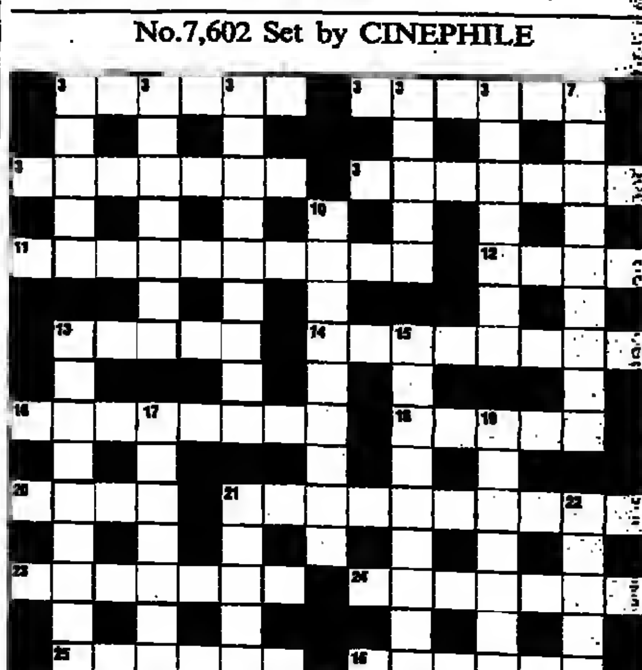
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,602 Set by CINEPHILE

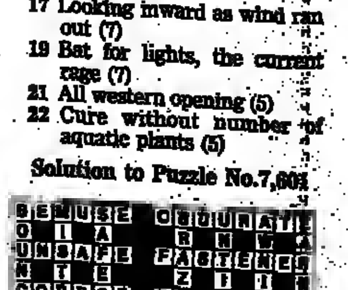


L in the across clues always has the same meaning

ACROSS
1 A bit of pain in skin turned to L (6)
4 Pointless representations of prestige (6)
8 Marker of current programme, terribly partial (7)
9 Provincial L finds black stuff in chopped vegetable (7)
11 L got any flavour first? First king's first (10)
12 The actual L gives colour (4)
13 Police L (5)
14 Senior L (8)
16 Deception is not backed by L (8)
18 Scottish L, number divisible by 2 (5)
20 L gets on neutron discoverer's wick (4)
21 L – key of clock, maybe, that's all (10)
23 Welsh L gets to North European L (7)
24 L and church porch lie shattered in storm (7)
25 Money for leather worker (6)
26 Cure of aquatic plants without number (6)

DOWN
1 Peculiar bachelor's dance (5)
2 She takes stuff from the bed (7)
3 Hide to find falsehood in carol singer? (3,2,4)
5 Friendly vehicle (5)
6 It comes behind or before a programme (7)
7 Fungus causes row at cape (9)
10 Princess's child and hill-dweller are out of harmony (9)
13 Goatherd upset about nothing – kindness or high morale or the correct.... (4,5)
15 ....seeds for the pot at cost (5,4)
17 Looking inward as wind ran out (7)
19 Bat for lights, the current rage (7)
21 All western opening (5)
22 Cure without number of aquatic plants (5)

Solution to Puzzle No.7,601



CANADA

TORONTO

3:00 pm prices July 23

INDICES

NEW YORK

DOW JONES	July 22	July 19	July 18	July 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3012.97	3016.32	3016.32	2978.76	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.51	94.54	94.39	94.30	95.09 (30/5)	91.50 (14/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1212.27	1218.09	1219.15	1194.99	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	200.64	200.08	200.39	199.64	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3034.44 (3036.23) Low 2990.83 (2989.49)

STANDARD AND POOR'S

	July 22	July 19	July 18	July 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	382.88	384.22	385.37	381.18	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	456.83	458.37	459.56	454.69	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.28	30.62	30.76	30.37	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	209.95	210.63	211.09	209.09	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	368.69	368.96	369.68	367.12	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	494.99	497.55	496.80	493.42	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	July 19	July 12	July 5	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.08	3.14	3.64
	Jul 17	Jul 10	Jul 3	year ago (approx.)
S & P Industrial div. yield	2.74	2.79	2.81	2.87
S & P Ind. P/E ratio	19.74	18.89	18.77	17.29

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Citicorp	5,295,400	14¼	- ⅛
Liz Claiborne	4,464,600	41¼	- 7¼
C & S	3,085,800	27½	+ 1¼
Maxus Energy	2,295,500	9⅝	+ ⅛
Enel	2,253,400	30	—
Pan Am Corp	2,087,300	⅞	+ ⅛
IBM	1,849,600	102⅛	+ 1⅝
Amer T & T	1,436,600	39½	- ⅛
RJR Nabisco	1,409,200	11½	- ⅛
Philip Mor	1,406,900	65½	- ⅛

TRADING ACTIVITY

† Volume Millions	July 22	July 19	July 18
New York SE	148.880	187.290	199.470
Amex	9.790	11.769	15.178
NASDAQ	127.912	176.996	171.733
NYSE			
Issues Traded	2,071	2,078	2,074
Rises	681	749	1,024
Falls	891	800	530
Unchanged	499	529	520
New Highs	75	82	71
New Lows	14	12	13

CANADA TORONTO

	July 22	July 19	July 18	July 17	1991 HIGH	1991 LOW
Metals & Minerals	3258.41	3276.94	3299.99	3251.53	3299.99 (18/7)	2632.06 (9/1)
Composite	3545.40	3561.30	3561.19	3541.85	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1887.96	1900.76	1901.92	1887.57	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

& Subject to official recalculation.

TOKYO - Most Active Stocks

Tuesday 23 July 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NKK	12.4m	376	+1	Nihon Nohyaku	3.1m	1,800	+70
Nippon Steel	4.1m	409	+1	Kawasaki Steel	2.8m	386	+3
M'bishi Material	3.7m	602	+16	Nippon Carbon	2.8m	851	-2
Takuma	3.6m	1,100	+40	Toshiba	2.7m	733	0
Mitsubishi Heavy	3.3m	700	0	Sumitomo Metal	2.5m	409	-1

3:00 pm prices July 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅞	9¼	AAR Corp	0.48	0.03	18	252	16¼	13¼	13½	-⅛
18¾	14½	A L Labs A	0.18	0.01	19	82	17⅞	17⅝	17⅞	-⅛
55½	40⅞	AMP Inc	1.44	0.03	20	1361	u55⅞	54½	54½	-⅞
68⅞	44¾	AMR			11	2036	61⅛	60⅝	60⅝	-⅛
2⅞	1⅛	ARX			1	133	1⅝	1½	1⅝	+⅛
58	41½	ASA	3.50	6.07	14	778	61½	50¾	51¼	-⅝
54	39¾	Abbott Lab x	1.00	0.02	21	1922	52¼	51¼	51⅞	-½
14½	9⅞	Abitibi Pr x	0.50	0.04	25	11	12⅞	12¾	12¾	
11⅝	10⅞	ACM Gvt In	1.26	0.13		1794	11¼	10⅞	10⅞	-⅛
9¾	8⅞	ACM GvOpp	1.01	0.11		128	9¼	9¼	9½	
9¼	8¼	ACM Gvt Sp	1.01	0.11		362	9	8⅞	9	+⅛
11	9⅞	ACM Gvt Se	1.26	0.13		779	10⅞	10⅝	10⅝	-⅛
8⅞	7⅝	ACM Man	1.01	0.18		1117	8¼	8	8	-⅛
12⅞	11½	ACM Managd	1.36	0.11		229	12¼	12⅛	12¼	
7½	4⅝	Acme Cleve	0.40	0.08	18	38	6½	6⅜	6⅜	+⅛
6	3½	Acme Elect			35	6	3⅞	3⅞	3⅞	
40	22⅞	Acuson			25	387	34⅛	33⅝	33⅝	-⅛
18½	14¼	Adams Expr	0.48	0.03	0	98	16¼	16	16	-⅛
20⅝	17⅞	Adobe12Pf x	2.40	0.14		26	17⅞	d17⅜	17⅜	-⅛
8¼	6⅛	Adobe Res			39	17	7½	7½	7½	+⅛
38¾	10	Ad Micro				70	33¼	33	33	-1
14¼	4⅝	Ad Micro P	3.00	0.29	17	7572	10¾	10⅝	10⅝	-½
6⅛	2¼	Advest Grp	0.16	0.04	8	66	4⅜	4⅛	4⅛	-⅛
49½	33⅞	Aetna Lf x	2.76	0.07	7	3035	39½	38¾	38¾	-½
10⅝	8⅛	Affil A	0.24	0.02	47	616	8¾	8⅝	8⅝	-⅛
20¼	12	Ahmanson	0.88	0.03	9	1602	17¼	16⅝	16⅞	-½
12⅞	9⅞	Aileen Inc			14	190	11⅞	10¾	10¾	
74⅞	61⅞	Air Pr Chm	1.44	0.02	14	956	64½	63	63	-1⅝

NYSE COMPOSITE PRICES

Continued from previous page

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Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices July 23

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NASDAQ NATIONAL MARKET

3:00 pm prices July 23

[illegible]

AMERICA

Profit warning from 3M weakens Dow by midday

Wall Street

SHARE prices remained weak yesterday morning, undermined by poor earnings and a profite warning from Minnesota Mining & Manufacturing, one of the largest constituents of the Dow Jones Industrial Average, *writes Patrick Harverson in New York.*

By 1 pm the Dow was down 16.10 at 2,996.87, having spent almost the entire morning session in negative territory. The more broadly-based Standard & Poor's 500 was also lower, down 1.73 at 381.15 at 1 pm, while the Nasdaq composite of over-the-counter stocks fell 2.44 to 492.55 at midday. NYSE turnover was 100m ehares hy 1pm.

The big individual story of the day was Minnesota Mining & Manufacturing (3M) which dropped $4 to $89 on a decline in second quarter profits to $1.36 a share and a warning from the company that third quarter earnings were likely to remain weak. The fall in 3M accounted for more than 7 points of the Dow's decline.

Among the most active stocks were several bouncing back from news of bad quarterly figures. These included American Express, up $¾ at $23¾ in volume of 1.2m shares, and tbe retailing group Liz Clairborne, which rose $1⅜ to $42½ in volume approaching 1m.

Also bucking the trend was Salomon, which climbed $1 to $36⅝ on newe of the securities house's 48 per cent improvement in second quarter profits to $176m. The figures were much better than analysts had expected.

Tambrands fell $1⅜ to $51¼ after the company reported second quarter earnings of 87 cents a share, up from 74 cents a share a year earlier. Although the figures were in line with forecasts, the damage was inflicted by indications from Tambrands that third quarter sales volume and full year profits would be lower than previously expected by the company.

The over-the-counter market was unsettled by losses among leading technology stocks due to profit-taking.

Among the decliners here were Intel, down $1⅝ at $44⅝, Apple, down $1¼ at $44¾, MCI Communications, $⅝ lower at $27¼, and intergraph, down $1¼ at $20¼, all in busy trading.

In spite of unveiling a second quarter loss of 42 cents a share and a charge against earnings, Monsanto rose $3⅞ to $74 as the market took a positive view about the longer term outlook for the chemical giant.

Wells Fargo shed $3 at $69⅝ after Mr James Rosenberg, analyst at Shearson Lehman, lowered his investment opinion on the San Francisco-based bank to "high-risk underperformer", citing uncertainty about the group's loans to real estate projects and highly leveraged traneactions. Mr Rosenberg has been advising clients to switch from Wells Fargo into its California rival, BankAmerica, whose shares yesterday eased $⅛ to $35.

Canada

TORONTO recovered from an early dip. At midday the composite index was only 0.1 lower at 3,543.3. Declines led advances by 224 to 176 in volume of 11.6m shares.

Northern Telecom rose C$½ to C$44. The company expressed cautious optimism for the rest of 1991, after reporting good second quarter earnings.

The nickel mining leader Inco sank C$1⅞ to C$41⅞ on poor second quarter earnings. Imperial Oil eased C$¾ to C$54¾ after reporting a second quarter loss.

Tel Aviv pauses after gallop to record high

Politics could end the Israeli stock market's 30-month charge, writes Hugh Carnegy

IT has been a long, giddy gallop for the Tel Aviv Stock Exchange (TASE), and while committed fans of the market think that its 30-month charge still has some way to run, others say that it could be riding for a fall.

"I cannot see the end to it," is the bold verdict of Mr Shaul Bronfeld, the TASE's managing director, as he surveys the remarkable record of the past two-and-a-half years, in which share values have tripled in dollar terms after sliding from an earlier peak in 1987.

Over the past week the market has see-sawed, nervous that a high set two weeks ago presaged a correction, and worried abont the consequences for the economy ehould Israel refuse US pressure to join Middle East peace talks.

An Israeli "no" to Washington would almost certainly send the market downwards – at least for a while. But forecasts of strong growth in the economy and optimism about corporate second-quarter performance are underlying factors which have kept the trend moving upwards. On Monday the index of the 80 most traded stocks was a shade below 390. At the turn of the year it was below 300. In dollar terms the market is up more than 40 per cent on the year so far.

The bull market has survived both the tense months following the Iraqi invasion of Kuwait last August and the subsequent war, when Iraqi Scud missiles came thundering down on Tel Aviv, some of them not far from the exchange itself.

Gulf crisis nerves did produce some precipitous falls in the early weeks, in which the main indices lost as mnch as 10 per cent a day. But the market soon resumed its upward path. The exchange was closed for two trading days at the start of the war, but quickly scented a speedy allied victory and posted advances thronghont most of the hostilities.

All this may seem puzzling. Israel is perched in the world's most politically combustible region and its economy, often criticised for remaining strongly socialist in character, faces the daunting challenge of absorbing an estimated 1m Soviet Jewish immigrants by mid-decade, a population increase of one-fifth.

However, as Mr Bronfeld explains, investors in the TASE have taken a strongly optimistic view of immigration. He says that while the early stages of the current bull market reflected a cyclical upturn in the economy after a period of recession, by last year this had heen overlaid hy the effects of the immigration tide.

"That changed the perspective of investors quite dramatically," he says. "We are looking now at five years of accelerated growth in the economy as a result of immigration which we have not seen since after the Yom Kippur war in 1973."

Not everybody is so confident. Bank Leumi, in a regular survey of 150 of the 280 companies quoted on the TASE, said in its most recent report that no less than 85 per cent of the companies were valued on the exchange at levels above their real economic worth.

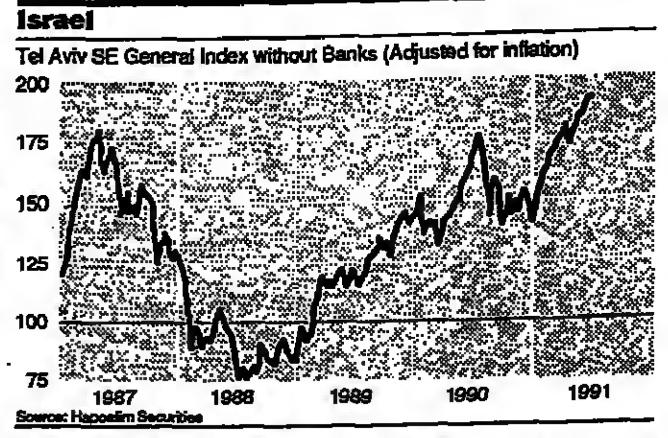
Several members of the Knesset (parliament) finance committee were moved to warn the public of the possibility of a sharp downturn. There is some expectation of a significant correction soon, although most commentators say the long term trend remains up.

Some of the heat could be taken out of equities if there is an awakening in the currently quiescent bond market, as a result of government borrowing to fund immigration. So far, pressure from additional funding needs has yet to be felt in the local market. The government wants to do much of its borrowing overseas, in part to keep down interest rates at home to help growth.

In time, however, there could be big calls on the local bond market, which remains bigger in capitalisation terms than the $14bn equity market even after the recent bull run.

Israel

Tel Aviv SE General Index without Banks (Adjusted for inflation)



Source: Hapoalim Securities

ASIA PACIFIC

Nikkei marginally higher as volume remains low

Tokyo

RELIEF spread through the market on news that brokerage officials would not be summoned to testify before parliament tomorrow, *writes Emiko Terazono in Tokyo.*

Tbe Nikkei average closed 53.69 higher at 22,758.98, after a low of 22,540.56 in the morning and a high of 22,841.79 in the afternoon. Institutional investors stayed away, and the recovery in volume from 160m to 220m shares left it at low levels.

Declines led advances by 563 to 303 with 226 issues unchanged, but the Topix index of all first section stocks rose 0.55 to 1,786.62 and, in London, the ISE/Nikkei 50 index gained 6.22 to 1,373.72.

Futures prices rose on the announcement that Mr Minoru Nagaoka, chairman of tbe Tokyo Stock Exchange, was named to testify before the House of Representatives finance committee. There had been nervous speculation that officials of Nomura Securities would testify, revealing names of compensated clients.

Mr Shin Tokoi at County NatWest Securities said most of the bad news was discounted into share prices, but due to the depressed sentiment an immediate pick-up in activity was unlikely.

Large-capital issuee firmed as some investors were encouraged by the resilience in recent price movemente. NKK, the most active issue of the day, added Y1 at Y376.

Nomura Securities remained unchanged at Y1,670. The issue has rebounded from its recent low of Y1,540 at the beginning of the month, down 32 per cent from levels in March. Daiwa Securities was also unaltered at Y895 and Nikko Securities eased Y2 to Y903.

Speculative shares were firm on short-term trading. Takuma, the boiler maker, rose Y40 to Y1,180 and Nihon Nohyaku added Y70 at Y1,800. The Tokyo Stock Exchange announced that both issues would be placed under monitoring due to high margin selling balances.

Real estate companies moved op on light buying by foreign investors. The sector was sold down recently on continued Ministry of Finance monitoring of bank-lending to the industry. Mitsubishi Estate put on Y10 to Y1,310.

Bargain hunting lifted Keisei Electric Railway Y50 to Y1,260. Rumours that a speculator had liquidated holdings of the stock depressed the share price last week, but an increase in profits due to suburban housing projects encouraged individuals.

In Osaka, the OSE average slipped 153.83 to 25,540.69 on volume of 9.6m shares. Nissho, a medical equipment company, climbed Y90 to Y1,910. Traders said the shares have been rising ahead of an issue later this month of Swiss Franc-denominated warrant bonds.

Roundup

PACIFIC Rim markets were concerned with domestic issues yesterday. Bombay was closed for a religious holiday.

HONG KONG retraced Monday'e losses in quiet trading to end at another record high. The Hang Seng index gained 21.47 to 4,009.82, marginally above Friday's 4,009.35 close. Turnover dipped to HK$1.68bn from HK$1.75bn as investors retreated to the sidelines before the US Senate voted on China's Most Favoured Nation status later in the day.

KUALA LUMPUR was lifted by strong interim results from MBf Finance, a finance group, which raised hopes of good results from other companies. The composite index climbed 6.07 to 601.92. MBf Finance shares were by far the most actively traded, rising 9 cents to M$2.07 with 8.03m shares changing hands, boosting turnover to M$118m from M$89.8m.

AUSTRALIA consolidated Monday's gains and hit a new 11-month high with the All Ordinaries Index a marginal 0.3 ahead at 1,570.6 amid volume of A$208.2m.

Trading was dominated by the sale of New Zealand forestry group Carter Holt Harvey's 49.6 per cent stake (worth A$108.65m) in Bridge Oil via BZW and Bain Securities. The two brokers said they had acquired the 205m shares at 52 cents each before placing them with institutions at 53 cents. Bridge Oil ended 2 cents lower at 58 cents.

Renison Goldfields receded 8 cents to A$5.84. It said it was unaware of any reason for the 60-cent rise in its share price to A$5.96 between last Thursday and Monday. Dealers said the rise was fuelled by speculation that Hanson, the UK conglomerate, wanted to sell its 49 per cent stake.

NEW ZEALAND continued to focus on Telecom, which accounted for aboot half the day's NZ$43m turnover. The stock shed 2 cents to NZ$2.28. The NZSE 40 capital index lost 2.49 to 1,461.12.

About 14m Wilson and Neill shares were traded off-market and the stock dipped 3 cents to 40 cents as Herbert Group placed its stake in the company with institutions.

MANILA was disappointed that President Corazon Aquino's state-of-the-nation speech did not contain more measures to improve the economy. The composite index declined 12.63 from Friday to 1,010.34. The market was closed on Monday. Turnover shrank to 104.8m pesos from 258.9m.

SINGAPORE closed off the day's high. Share prices succumbed to profit-taking after a strong etart hnt tnrned upwards again towards the close. The Straits Times Industrial index reached a day's high of 1,503.41 before finishing 7.65 ahead at 1,499.05 after turnover of S$189.21m, against a previous S$136.72m.

EUROPE

Continent rises but trading stays subdued

BOURSES wers generally higher yesterday although volumes remained low, *writes Our Markets Staff.*

FRANKFURT rose in a vacuum. The DAX index closed 9.91 higher at 1,632.94 after a 5.09 gain to 680.58 for the FAZ at midsession, but turnover only rose from an abysmal DM2.9bn to DM3.5bn. At this time last year, daily turnover was bstween DM5hn and DM7.5bn.

In the car sector, BMW bounced DM9.50 to DM497 as volume in the stock went up from 50,000 to 115,000 shares. James Capel increased its earnings per share forecasts to DM60 for the current year and DM70 for 1992, reflecting a 7 per cent increase in production and BMW'a strength in pricing new cars.

AMB, the insurance group, extended its gains with a rise of DM32 to DM952. It has now risen DM87 or more than 10 per cent in a week marked by the float of its life unit and speculation about the intentions of the French insurer, AGF.

In electricals, and chemicals, stocks active last May came back to the fore. SEL, which passed its dividend a little over two months ago, and suffered accordingly, came back with a DM16 rise to DM385. Henkel, which had a good run in May and profit-taking in June, rose DM7.50 to DM571.

PARIS was initially higher on the final day of the account as traders reacted positively to Finance Minister Pierre Bérégovoy's hopes that the French franc would recover enough to allow interest rates to fall. But the market then fell back on the further reflection that his remarks were not overly promising. The CAC-40 index went as high as 1,775.79, boosted by futures buying, before closing 6.15 higher at 1,768.93 in turnover of FFr2bn after Monday'e paltry FFr1.07bn.

Paribas was active on the eve of the completion of its share swap operation giving it control of Cimente Français and Poliet. The stock went as high as FFr419 before ending just FFr1.20 higher at FFr414.20 with 248,125 shares traded.

Cap Gemini rose FFr7.50 to FFr336 on confirmation that Daimler Benz would buy 25 per cent of its parent, Sogeti, from existing shareholdsrs for an undisclosed sum and another 9 per cent In new shares for FFr1.2bn.

MILAN was dominated by professionals as foreign and domestic investors stsyed away. Volume was near Monday's low L70bn. The Comit index was barely changed, falling just 0.08 to 569.12.

The retailer Rinascente added L35 to L7,420 bnt fell back later to L7,390. The stock has been lifted by buy recommendations from several domestic and foreign brokers. There was also speculation that Fiat might sell its majority stake in the company or that Rinascente would link up with a foreign retailer.

Olivetti stood out in an easier industrial sector, adding 1.5 per cent or L54 to L3,772. But dealers said the share rose on short-covering. An estimated 2m shares have been sold short. Cir, Mr Carlo De Benedetti's holding company, rose L35 to L2,830. After the close, Cir said that it planned to offer up to 7.7m ordinary shares in its publishing unit Editoriale L'Espresso L25,500 each. L'Espresso had closed L100 lower at L26,300.

ZURICH saw its best share price sequence in the insurers, Swiss Re putting on SFr40 to SFr2,800, Winterthur SFr60 SFr3,810 and Zurich Insurance SFr40 to SFr4,710. The Crédit Suisse index closed 1.9 higher at 546.6. Nestlé topped the actives list aa the registered shares rose SFr110 to SFr8,620, on foreign bargain-bunting.

MADRID reflected good company results with Banco Santander up Pta60 to Pta5,120 and Acerinox, the stainless steel producer, Pta190 better at Pta7,690 after reporting first half profits almost equal to the whole of 1990. The general index rose 2.26 to 270.58 in much healthier volume.

Construction stocks advanced in spite of news that the government will slash Pta341bn from the budget this year, much of the cuts coming from infrastructure spending.

AMSTERDAM failed to be stirred by the confirmation of reports that Philips would sell the majority of its information systems division to Digital. Philips closed just 20 cents higher at Fl 32.80 after making a 1991 high of Fl 33.10 earlier in the day. The CBS tendency index closed 0.4 higher at 94.8.

OSLO was dominated by Bergesen, the shipping company, which fell on news that Octavius had sold just over half of its 11.9 per cent bolding of Bergesen A shares. Bergesen A shares fell NKr3 to SKr164. The all-share index fell a fractional 0.06 to 506.79 in turnover of NKr576m, of which NKr390m was Bergesen stock.

ISTANBUL hit a new six-month low, the market index falling 153.12, or 4.7 per cent to 3,137.96 on anticipation of higher interest rates.

STOCKHOLM's Affärsvärlden general index was steady at 1,136.1 in turnover of SKr490m, of which one-third was in Incentive. The B free share rose SKr3 to SKr189.

FT-SE Eurotrack 100 - Jul 23

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1118.33	1118.64	1118.67	1119.21	1119.81	1119.36	1118.96	1118.62

Day's High 1120.13 Day's Low 1118.13

Jul 22	Jul 19	Jul 18	Jul 17	Jul 16
1113.87	1111.23	1108.24	1104.80	1110.41

Base value 1000 (26/10/90)

SOUTH AFRICA

JOHANNESBURG lost more ground after Monday's slide, depressed hy the negative implications of the recent government slush fund revelations. The all-gold index fell 63 to 1,347 and the industrial index dropped 61 to 3,981.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 22 1991								FRIDAY JULY 19 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	148.00	+1.1	130.54	128.55	135.31	126.54	+1.0	5.08	146.37	128.37	126.25	133.06	125.34	148.00	112.74	148.54
Austria (20)	179.06	−0.8	157.92	155.52	163.71	163.39	−0.9	1.69	180.45	158.25	155.64	164.03	164.92	222.37	167.00	282.74
Belgium (49)	128.89	−0.1	113.67	111.93	117.83	114.74	+0.0	5.14	129.07	113.19	111.31	117.32	114.74	151.20	121.73	156.27
Canada (115)	139.54	−0.3	123.07	121.19	127.57	116.88	−0.4	3.32	139.91	122.70	120.87	127.18	117.37	142.27	126.49	139.26
Denmark (37)	253.15	−0.8	223.27	219.87	231.44	233.67	−0.3	1.51	254.80	223.47	219.78	231.63	234.82	270.58	217.74	272.98
Finland (16)	94.76	+0.0	83.58	82.31	86.63	84.09	−0.1	2.87	94.76	83.11	81.74	86.14	84.15	125.15	90.00	135.59
France (112)	129.11	−0.8	113.87	112.13	118.03	120.91	−0.1	8.69	129.92	113.94	112.05	118.09	121.00	152.26	120.60	160.07
Germany (65)	106.38	−1.2	93.82	92.40	97.25	97.25	−0.6	2.30	107.63	94.40	92.85	97.84	97.84	125.35	102.03	142.39
Hong Kong (55)	166.50	−0.6	146.85	144.61	152.23	165.62	−0.6	4.18	167.43	146.84	144.41	152.21	166.79	167.43	119.82	147.49
Ireland (18)	150.38	+1.0	132.63	130.61	137.48	139.17	+1.2	3.80	146.92	130.60	128.45	135.37	137.46	182.46	132.88	189.29
Italy (77)	73.85	−0.2	65.13	64.14	67.51	72.22	+0.2	3.24	73.96	64.86	63.79	67.23	72.05	88.23	69.89	107.14
Japan (474)	126.84	−1.1	111.87	110.16	115.97	110.16	−0.4	0.76	128.27	112.49	110.63	118.62	110.63	146.97	118.35	149.51
Malaysia (68)	226.29	+0.2	199.58	196.53	206.87	242.54	+0.4	2.76	225.75	197.98	194.70	205.21	241.61	247.76	192.83	249.85
Mexico (16)	1152.58	+0.7	1016.54	1001.04	1053.73	3800.03	+0.7	1.48	1144.19	1003.47	986.89	1040.12	3772.38	1152.58	534.45	557.35
Netherland (31)	137.75	−0.4	121.49	119.64	125.94	124.55	+0.2	4.30	138.29	121.29	119.28	125.72	124.34	145.73	125.70	146.22
New Zealand (14)	47.39	−2.1	41.80	41.16	43.33	44.38	−0.5	6.86	48.40	42.45	41.75	44.00	44.82	54.84	41.18	69.80
Norway (32)	196.95	−0.1	173.71	171.06	180.07	182.92	+0.2	1.80	197.22	172.96	170.11	179.28	182.58	223.24	182.24	253.03
Singapore (38)	195.56	+2.3	172.47	169.85	178.78	157.80	+2.3	2.17	191.24	167.72	164.95	173.84	154.23	209.25	151.63	206.81
South Africa (61)	255.01	−1.5	224.91	221.48	233.13	177.23	−0.5	3.09	258.85	227.02	223.26	235.30	178.20	258.85	173.00	182.45
Spain (54)	146.46	+0.7	129.17	127.21	133.90	121.55	+0.7	4.44	145.42	127.54	125.44	132.20	120.75	171.12	131.51	179.52
Sweden (27)	194.19	−0.5	171.27	168.66	177.54	182.76	−0.2	2.43	195.22	171.21	168.39	177.47	183.15	204.12	146.60	230.01
Switzerland (58)	93.23	−0.6	82.22	80.97	85.24	87.94	−0.8	2.19	93.94	82.39	81.03	85.41	88.23	100.67	82.17	106.87
United Kingdom (240)	171.48	+0.1	151.24	148.92	156.76	151.24	+0.6	4.85	171.37	150.29	147.80	155.77	150.29	187.44	156.27	173.37
USA (526)	155.00	−0.4	136.71	134.63	141.72	155.00	−0.4	3.11	155.57	136.44	134.19	141.43	155.57	158.24	125.95	143.41
Europe (836)	135.81	−0.3	119.76	117.95	124.18	122.38	+0.2	3.90	136.18	119.44	117.47	123.81	122.14	151.52	125.50	155.71
Nordic (112)	187.53	−0.5	165.39	162.88	171.45	168.06	−0.2	1.94	188.50	165.32	162.59	171.35	168.41	200.81	155.55	218.32
Pacific Basin (718)	128.56	−1.0	113.38	111.66	117.53	112.15	−0.3	1.18	129.61	113.84	111.97	118.00	112.54	145.92	117.86	149.26
Euro-Pacific (1554)	131.76	−0.7	116.21	114.43	120.45	116.98	−0.1	2.26	132.67	116.35	114.42	120.60	117.13	147.66	121.29	152.29
North America (641)	153.96	−0.4	135.79	133.74	140.76	152.43	−0.4	3.12	154.52	135.51	133.29	140.49	153.00	157.04	125.91	143.07
Europe Ex. UK (596)	114.54	−0.5	101.02	99.80	104.74	105.72	−0.1	3.19	115.17	101.01	99.36	104.72	105.85	129.80	106.85	143.53
Pacific Ex. Japan (244)	145.65	+0.4	128.46	126.52	133.18	130.18	+0.4	4.32	145.09	127.25	125.18	131.81	129.85	145.66	111.40	145.47
World Ex. US (1746)	133.94	−0.7	118.13	116.34	122.46	118.55	−0.1	2.31	134.88	118.27	116.33	122.60	118.71	148.16	122.32	152.36
World Ex. UK (2032)	137.04	−0.6	120.86	118.03	125.30	127.82	−0.3	2.35	137.91	120.95	118.96	125.38	128.23	145.77	120.06	145.62
World Ex. So. Af. (2211)	139.27	−0.6	122.83	120.97	127.34	129.62	−0.2	2.60	140.04	122.82	120.80	127.31	129.90	148.66	122.92	147.87
World Ex. Japan (1798)	148.37	−0.3	130.86	128.36	135.67	140.96	−0.1	3.45	148.63	130.53	128.36	135.32	141.14	152.83	126.89	146.82
The World Index (2272)	140.04	−0.6	123.51	121.63	128.04	130.04	−0.2	2.81	140.84	123.51	121.49	128.09	130.33	149.01	123.28	148.06

Constituent changes with effect 24/7/91: Addition: Irish Life (Ireland). Deletions: Davy Corp. (U.K.) and OFP-Omnium Financier Paris (France).
Latest prices were unavailable for this edition. Belgian market closed July 22.